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Appropriations Report

1993 BIENNIUM

Volume I

Submitted by

The Office of the Legislative Fiscal Analyst

Helena, Montana

June, 1991

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TERESA OLCOTT COHEA
LEGISLATIVE FISCAL ANALYST

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Office of the Legislative Fiscal Analyst

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HELENA, MONTANA 59620
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June, 1991

Members of the Fifty-second Legislature
Members of the Legislative Finance Committee

In accordance with Section 5-12-302, MCA, and in keeping with the practice established in previous sessions, I am submitting the Appropriations Report for the 1993 biennium. The report provides an overview and details of the budget for the State of Montana approved by the legislature for the 1993 biennium.

The Summary section in Volume I provides a general overview of the entire state budget, an economic overview and details of the major general fund revenue sources, summaries of the pay plan increase and foundation program enacted by the 1991 legislature, and tables showing appropriations by fund type and the number of employees for each agency.

The agency narratives in Volumes I and II provide details for each agency and program on the appropriations contained in House Bill 2, the general appropriations act. Section F of Volume II discusses the long range building program adopted by the legislature.

We hope these volumes will serve as a useful reference document for legislators, the public, and state agencies.

Sincerely,

A handwritten signature in cursive script that reads "Teresa Olcott Cohea".

Teresa Olcott Cohea
Legislative Fiscal Analyst

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1993 BIENNIUM BUDGET OVERVIEW

General Overview

This section provides a general overview of the 1993 biennium budget for the State of Montana approved by the 1991 legislature. More detailed information on the topics discussed below is provided in other sections of the Summary and in the agency narratives contained in this volume and Volume II of this report.

General Fund Spending

General fund expenditures are anticipated to increase 16.1 percent during the 1993 biennium, compared to the 1991 biennium. This increase is slightly less than the general fund expenditure growth during the 1991 biennium (17.0 percent) and the average growth (19.1 percent) during the preceding nine biennia (1973 through 1989). As Table 1 shows, most of the increased general fund spending during the 1993 biennium is for higher education, human services, pay plan increases, and statutory appropriations for retirement benefits (Senate Bill 226) and personal property reimbursement.

Table 1
General Fund Increases
1991 to 1993 biennium

<u>Item/ Agency</u>	<u>Increase (\$ Millions)</u>
Higher Education	\$ 34.3
Pay Plan	33.9
SRS	25.1
Statutory Approp.	20.9
DFS	12.6
All Other	<u>16.1</u>
Total	\$142.9

Graph 1 shows anticipated general fund expenditures in House Bill 2 during the 1993 biennium. Expenditures for human services, institutions, and education will consume 81 percent of the total.

Funding for the remaining state agencies, elected officials, the legislature, and the Judiciary comprises only 19 percent of the general fund budget in House Bill 2.

Table 2 shows general fund appropriations by agency for the 1993 biennium in order of size. These totals include House Bill 2 and miscellaneous and statutory appropriations.

General Fund Revenues

General fund revenues are projected to grow 12.0 percent during the biennium, based on the economic assumptions adopted by the 1991 legislature in House Joint Resolution 24. This revenue growth, which is slightly faster than the rate of inflation, is primarily due to anticipated modest growth in wage and salary income and corporate profits. Since nearly 50 percent of total general fund revenue comes from personal and corporate income tax collections, any downturn in the state's economy will be quickly reflected in revenue collections.

General fund appropriations for the 1993 biennium exceed anticipated revenues, causing a decline in the ending fund balance. Based upon HJR24 revenue estimates, the general fund ending fund balance is expected to be \$23.7 million at the end of the 1993 biennium.

Total Fund Spending

The general fund accounts for approximately 23 percent of the total state government spending during the 1993 biennium, with state special revenue accounting for an additional 32 percent and federal funds 30 percent. Graph 2 shows the percent each fund comprises of total state spending.

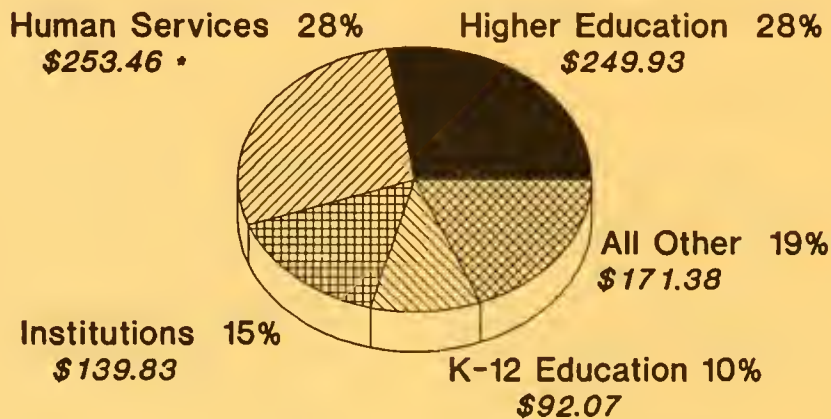
Total spending is anticipated to grow approximately 20 percent (\$668 million) compared to the 1991 biennium. The main areas of growth are:

- ◆ a \$132 million increase in the Department of Social and Rehabilitation Services (SRS), due primarily to medicaid and other benefits;

1993 BIENNIUM BUDGET OVERVIEW

1993 Biennium HB 2 General Fund Appropriations \$906.66

(In Millions)

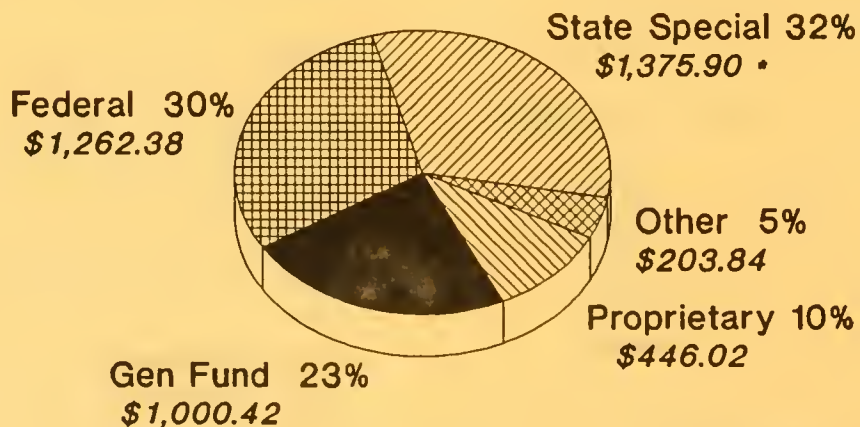


* Includes Departments of SRS and DFS Only

GRAPH 1

1993 Biennium Total Appropriations \$4,288.56

(In Millions)



* Includes \$787.97 Million for School Foundation Funding

GRAPH 2

1993 BIENNIUM BUDGET OVERVIEW

Table 2
1993 Biennium Anticipated General Fund Disbursements

<u>Rank</u>	<u>Agency/Purpose</u>	<u>Anticipated Disbursements</u>	<u>% of Total</u>	<u>Cumulative %</u>
1	Higher Education	\$ 249,927,283	24.24%	24.24%
2	Dept. Of Soc & Rehab Services	194,241,561	18.84%	42.41%
3	Dept. Of Institutions	139,828,750	13.56%	55.76%
4	Public Schools*	95,589,765	9.27%	64.89%
5	Dept. Of Family Services	59,217,321	5.74%	70.54%
6	Dept. Of Revenue	37,670,296	3.65%	74.14%
7	Property Tax Reimbursement	37,000,000	3.59%	77.67%
8	Employee Pay Plan	33,876,000	3.29%	80.90%
9	Debt Service	31,643,000	3.07%	83.93%
10	Attorney General	24,648,047	2.39%	86.28%
11	Dept. Of State Lands	17,610,878	1.71%	87.96%
12	Supreme/District Courts	16,356,802	1.59%	89.52%
13	Miscellaneous Approp. Bills	15,809,000	1.53%	91.03%
14	Dept. Of Natural Resources	9,208,166	0.89%	91.91%
15	Office Of Public Instruction**	7,257,649	0.70%	92.60%
16	Dept. Of Health	7,206,012	0.70%	93.29%
17	Retirement Benefits	7,070,000	0.69%	93.97%
18	Dept. Of Administration	6,805,211	0.66%	94.62%
19	Dept. Of Commerce	6,492,712	0.63%	95.24%
20	School For the Deaf & Blind	5,201,698	0.50%	95.73%
21	Office Of The Governor	5,029,177	0.49%	96.21%
22	Feed Bill	4,500,000	0.44%	96.64%
23	State Auditor	4,444,498	0.43%	97.07%
24	Dept. Of Military Affairs	4,193,868	0.41%	97.47%
25	Legislative Council	4,111,703	0.40%	97.86%
26	Public Service Commission	4,046,114	0.39%	98.25%
27	Historical Society	2,499,725	0.24%	98.49%
28	Legislative Auditor	2,427,560	0.24%	98.72%
29	Library Commission	2,247,880	0.22%	98.93%
30	Dept. Of Agriculture	2,225,048	0.22%	99.14%
31	Secretary Of State	1,983,283	0.19%	99.33%
32	Legislative Fiscal Analyst	1,737,378	0.17%	99.50%
33	Dept. Of Labor & Industry	1,492,680	0.14%	99.64%
34	Dept. Of Livestock	1,550,555	0.15%	99.79%
35	Dept. Of Fish, Wildlife & Parks	846,119	0.08%	99.87%
36	Environmental Quality Council	568,748	0.06%	99.93%
37	Comm. of Political Practices	283,225	0.03%	99.95%
38	Montana Arts Council	261,434	0.03%	99.98%
39	Board Of Public Education	232,703	0.02%	100.00%
Less Reversions		(16,162,000)		
Total General Fund		\$1,031,179,849	100.00%	100.00%

* Includes Anticipated \$10.781 Million Supplemental

** Administration Costs Only

1993 BIENNIUM BUDGET OVERVIEW

- ♦ \$109 million increase in the long range building program, which includes a \$61.3 million general obligation bond issue;
- ♦ \$116 million increase in state support for K-12 education, as the new school foundation program which began in fiscal 1991 continues in both years of the 1993 biennium;
- ♦ \$45 million increase in highway spending, due to a higher allocation of federal funds;
- ♦ \$34 million increase in environmental and other programs in the Department of Health and Environmental Sciences;
- ♦ \$35 million increase in funding for the Office of the Commissioner of Higher Education and the university system;
- ♦ \$21 million increase in general fund statutory appropriations for retirement benefits and property tax reimbursements; and
- ♦ \$68 million more for pay plan funding.

Budgeted expenditures for the 1993 biennium are 6.1 percent (\$163.5 million) below the statutory expenditure limit, which limits growth in certain state government expenditures to the average growth in Montana personal income during the last three years.

Number of State Employees

The number of state employees (full-time equivalents or FTE) authorized in the general appropriation act (House Bill 2) grew by less than 2 percent (215 FTE in fiscal 1992 and 198 FTE in fiscal 1993) over the fiscal 1991 level. Over half these FTE were added in response to federal mandates or an increase in federal funding. Approximately 50 FTE were added by state initiatives to strengthen environmental programs, enhance recreational and wildlife management, and assist Montana's basic industries. Another 82 FTE were added to the human services agencies and state institutions, to handle increasing caseloads and improve services.

Long Range Building Program

The 1991 legislature approved a \$142.2 million long-range building program, the largest in the state's history. This program provides for the construction of

a new 120-bed women's correctional facility, a major expansion of the men's prison, construction of three new buildings in the university system, and substantial repair and maintenance of university property. This large program is financed in part by the issuance of \$61.3 million in general obligation bonds during the next two biennia.

Education Funding

The 1991 legislature provided a substantial increase in funding for Montana's university system and other postsecondary educational institutions. In addition to the \$61.8 million for construction, maintenance, and repair of university system buildings and equipment, the legislature appropriated \$34.3 million additional general fund for postsecondary education (excluding the \$10.9 million general fund pay plan allocation). Of this amount, \$27.3 million was appropriated to the six units for inflation and enrollment increases, to meet accreditation needs, to fund arbitrated salary agreements (\$7.8 million) from the 1991 biennium to purchase additional library materials, to match a \$9.9 million National Science Foundation math grant, and expand the nursing and other programs. Montana's three community colleges will receive \$1.6 million more general fund as state support increases from 47 percent to 55 percent during the biennium. General fund appropriations for the vocational-technical centers increase by \$2.6 million, as a new funding formula is implemented and the federal Carl Perkins funds are replaced with general fund.

State support for K-12 education will increase slightly (1.4 percent) between fiscal 1991 and the annual cost in the 1993 biennium. Since the Governor vetoed the funding source for a 2 percent per year increase in foundation schedules approved by the legislature, the fiscal 1991 foundation schedule will be continued during the 1993 biennium.

State support for K-12 education during the 1993 biennium is estimated to total \$880.9 million. This is equal to 97 percent of the total general fund biennium budget for all state agencies and the university system.

1993 BIENNIUM BUDGET OVERVIEW

Pay Plan Increase

The legislature approved a \$67.9 million (\$33.9 million general fund) pay plan increase for state employees. This increase, which provides an average 7.4 percent raise in fiscal 1992 and 5.2 percent in fiscal 1993 to most state employees, is the most substantial in a decade.

The pay plan bill provides a 60 cents per hour raise in fiscal 1992, a 25 cents per hour raise in the first half of fiscal 1993, and an additional 20 cents per hour in the last six months of fiscal 1993. In addition, the bill moves the state toward a market-based, open-range pay system. It repeals the current 13 step pay matrix and replaces it with an open range plan, comprised of entry, market, and maximum salaries for each of the 25 grades. The entry and market salaries for each grade are based upon a 1990 survey of wages paid by Montana's public and private employers and public employers in five surrounding states. In addition to the cents per hour raise, employees covered by the general pay matrix will receive an

annual progression increase designed to move them toward the market salary for their assigned grade.

Lastly, the pay plan bill provides a \$20 per month increase each year of the biennium in the state contribution for health insurance. Because this increase is less than the anticipated increase in medical costs, employee costs for dependent coverage will increase.

Highway Funding

Montana will receive an additional \$20 million per year in federal highway funding during the next biennium, allowing a significant expansion in the highway construction program. However, the balance in the state highway account will continue to decrease, due to increased debt service requirements, continuation of the 100 percent state-funded Reconstruction Trust Fund projects, and match requirements for the increased federal funds. The combined highway account cash balance declined from \$145.9 million to \$90.7 million during the 1991 biennium and is anticipated to decline to \$26.3 million during the 1993 biennium.

COMPARISON WITH EXECUTIVE BUDGET

General Fund Appropriations

The legislature adopted a general fund budget that was 4.7 percent (\$45.3

million) higher than the revised Executive Budget, as Table 1 shows.

Table 1
Comparison of Revised Executive Budget and Legislative Action
General Fund Appropriations, 1993 Biennium
(Millions)

	<u>Executive</u>	<u>Legislative</u>	<u>Difference</u>	<u>Percent</u>
House Bill 2	\$889.3	\$ 906.7	+\$17.4	2.0
Pay Plan	28.4	33.9	+ 5.5	19.4
Misc./Statutory Appropriations	<u>42.0</u>	<u>64.4</u>	<u>+ 22.4</u>	<u>53.3</u>
Total	\$959.7	\$1,005.0	+\$45.3	4.7

Legislative appropriations are higher than the revised Executive Budget in several key areas:

- ♦ \$20.0 million in education;
- ♦ \$7.1 million in retirement benefits;
- ♦ \$6.4 million in human service agencies;
- ♦ \$5.5 million in state employee and university system pay increases; and
- ♦ \$5.7 million in institutions and cultural education.

The legislature appropriated \$1.0 million less general fund for the operation of general government and natural resource agencies than recommended in the revised Executive Budget.

Revised Executive Budget

In mid-January, the Director of the Office of Budget and Program Planning (OBPP) announced several changes in the Executive Budget that was issued prior to the legislative session. The major changes were:

- 1) \$13.4 million additional general fund primarily for Aid to Families with Dependent Children (AFDC) and medicaid costs. Based upon caseload data for November and December 1990, the Executive and Legislative Fiscal Analyst (LFA) agreed upon projected welfare and medicaid costs for the 1993 biennium. The LFA current level budget was

increased \$11.4 million to reflect these increased estimates.

- 2) \$7.5 million additional general fund for the Department of State Lands. Originally, the Executive Budget had proposed to fund all department functions related to the management of trust lands with interest and income earned from state school lands. After questions were raised concerning the constitutionality of this use of trust land income, the Budget Director proposed that these costs continue to be funded with general fund.

- 3) \$18.4 million additional funding for the pay plan. The original Executive Budget proposed \$10 million in general fund for the state pay plan, with the remaining general fund costs to be funded with vacancy savings in the agencies. Anticipating that agencies would need all available funds in order to fund these costs, the original Executive Budget anticipated no reversions in fiscal 1992 and fiscal 1993. In mid-January, the Budget Director proposed full funding of the executive pay plan proposal for state agencies and 78 percent funding for the university system. As part of this recommendation, the Budget Director included anticipated reversions of \$20 million in the 1993 biennium.

In addition, executive branch agencies presented additional budget requests

COMPARISON WITH EXECUTIVE BUDGET

approved by OBPP totalling \$1.0 million during subcommittee hearings. These increases were offset by a late February revision which reduced the Executive Budget by \$2 million general fund. The executive withdrew its request for a \$2 million general fund appropriation to the Governor's office for costs associated with the natural resource damage assessment suit, requesting instead a \$4.9 million general fund loan to the Department of Health and Environmental Sciences (DHES). The loan, which was approved by the legislature, is to be repaid with any funds collected as a result of the assessment or litigation.

Revenue Estimates

The executive and legislative estimates of general fund revenue were very close throughout the session. At the beginning of the session, the estimates contained in the Executive Budget and the legislative estimate based upon the assumptions adopted by the Revenue Oversight Committee were less than one-quarter of one percent (\$2.8 million) apart. While the executive estimates of income and corporation tax revenue were higher than legislative estimates, estimates for other components were less, resulting in virtually identical anticipated revenues for the 1993 biennium.

During the legislative session, the legislature revised revenue estimates slightly, for a net increase of \$7.9

million. The executive revenue estimates were increased by approximately \$4 million.

The Executive Budget recommended ten revenue adjustments, resulting in a net revenue gain of \$16.0 million for the biennium. The major proposed increases were \$23.2 million from a revision in taxation of retirement income, \$2.2 million in nursing home bed fees, and increased pesticide and other agricultural fees. The legislature approved amended versions of these proposals. It also approved several tax incentives proposed as part of the Governor's health care program. However, it did not approve the executive proposal to reinstate oil and gas incentives at a biennial general fund cost of \$8.0 million.

House Bill 2

The total general fund appropriation contained in House Bill 2, as passed by the legislature, is slightly higher than the general fund budget recommended in the revised Executive Budget. Legislative amendments to the bill added less than 2 percent general fund--\$17.4 million. Of this amount, \$3.2 million general fund was appropriated to implement legislation passed by the 1991 legislature.

Table 2 summarizes the major differences, which are discussed in more detail below.

COMPARISON WITH EXECUTIVE BUDGET

Table 2
Major Differences in House Bill 2 and
Revised Executive Budget
(General Fund)

		<u>Over/(Under) Exec. Budget Millions</u>
<u>HUMAN SERVICES</u>		\$2.8
Provider Rate Increases	\$4.3	
AFDC/GA Benefit Increase	1.7	
Modification Reductions/Other Adjustments	(1.9)	
Implementation of New Legislation	(0.3)	
Personal Services Reduction	(1.0)	
<u>EDUCATION</u>		\$13.5
U-System*	\$7.9	
Vo-Techs*	1.1	
Other Post-Secondary*	3.0	
OPI*	1.5	
<u>INSTITUTIONS AND CULTURAL EDUCATION</u>		\$5.7
Continued Operation of Galen	\$6.0	
Implementation of New Legislation	0.3	
Nurses' Pay Exception	0.8	
Mental Health Funding	0.6	
Provider Rate Increases	0.4	
Library Local Assistance	0.3	
Modification Reductions/Other Adjustments	(0.7)	
Personal Services Reduction	(2.0)	
<u>GENERAL GOVERNMENT AND HIGHWAYS</u>		\$3.2
Implementation of New Legislation	2.6	
Modification Reductions/Other Adjustments	(2.6)	
Personal Services Reduction	(2.3)	
District Court Reimbursement Program**	5.5	
<u>NATURAL RESOURCES AND COMMERCE</u>		\$(7.8)
Implementation of New Legislation	0.6	
District Court Reimbursement Program**	(5.5)	
Parks Futures	(0.8)	
Modification Reductions/Other Adjustments	(1.0)	
Personal Services Reductions	(1.1)	
Total		\$17.4
*Includes personal services reduction (\$2.5 million for agencies in this section)		
**Program transferred from Commerce to Judiciary by HB864		

Vacancy Savings

The 1991 legislature budgeted vacancy savings (personal services reduction) rates for state agencies ranging from 0 percent (for agencies with 20 or fewer employees and university and vo-tech faculty) to 4 percent. These vacancy savings rates were similar to those

budgeted by the legislature throughout the last decade, with the exception of the 1991 biennium when personal service costs were fully funded. The budgeted vacancy savings reduced general fund appropriations by \$8.9 million during the biennium. The revised Executive Budget did not impose any vacancy savings on state agencies.

COMPARISON WITH EXECUTIVE BUDGET

Human Service Agencies

The revised Executive Budget included a substantial increase in funding for the Department of Social and Rehabilitation Services (SRS), reflecting rising medicaid and welfare costs. In addition, the executive proposed a number of budget modifications for new and expanded programs totaling \$20.8 million general fund. Many of these programs were designed to help control future increases in welfare and medicaid costs and to meet federal mandates.

The legislature approved funding for most of these requests. In addition, it provided 4.5 percent per year provider rate increases that were not included in the revised Executive Budget and increased certain welfare benefits to 42 percent of the federal poverty index.

The Executive Budget proposed \$5.4 million in general fund budget modifications in the Department of Family Services (DFS), including the addition of eight social workers, six management staff, and staff increases at Pine Hills and Mountain View. The executive also proposed the transfer of the state medicaid match for residential psychiatric treatment from SRS to DFS, which the legislature approved. In addition, the legislature approved 4.5 percent provider rate increases for foster care providers and daily rate increases for day care providers.

In addition to the funding provided in House Bill 2, human service agencies received \$3.6 million general fund in other appropriation bills. These bills included \$2.5 million increased nursing home reimbursements, \$0.6 million for development of a management information system for the Department of Family Services, and \$0.4 million for increased reimbursement to family foster homes. These appropriations were not included in the revised Executive Budget.

Education

In House Bill 2, the legislature appropriated \$7.9 million more general fund to the university system than was included in the revised Executive Budget. Of this amount, \$3.4 million

was to meet accreditation needs at Montana State University, the University of Montana, Eastern Montana College, and the Montana College of Mineral Science and Technology; \$0.9 million for library book purchases; \$1.0 million match for the National Science Foundation math grant; and \$2.5 million for other program expansions including increased nursing slots, Northern Montana College course offerings in Great Falls, increased services to disabled students, and increased support for the Museum of the Rockies, public television, and the Montana Repertory Theatre. In addition to House Bill 2 appropriations, the legislature appropriated \$3.0 million general fund for equipment, repair, and construction in the university system.

The legislature appropriated \$1.3 million more general fund to Montana's three community colleges than was included in the revised Executive Budget, increasing the percent of state support from 47 percent in the 1991 biennium to 51 percent in fiscal 1992 and 55 percent in fiscal 1993. The legislature also increased the cost factor per student full-time equivalent from \$3,907 in the 1991 biennium to \$4,031 in fiscal 1992 and \$4,163 in fiscal 1993.

The legislature appropriated \$1.1 million more general fund support for vocational-technical centers than was included in the Executive Budget. This partially replaced \$1.6 million of federal Carl Perkins vocational education funds that were in the 1991 biennium base operating budgets for general operations of the vocational technical centers. The Legislative Auditor recommended the funds be reclassified for specific use due to the restrictions placed on the funds by the federal law.

While the legislature increased general fund support for school transportation, gifted and talented programs, and other Office of Public Instruction programs by \$1.5 million in House Bill 2 and \$3.1 million in other appropriation bills, school foundation schedules were not increased for the 1993 biennium. The legislature passed a bill increasing schedules by 2 percent per year over the

COMPARISON WITH EXECUTIVE BUDGET

fiscal 1991 level. However, since this bill was contingent upon passage of an income tax surtax bill, the effect of the Governor's veto of that bill was to continue the fiscal 1991 schedules in the 1993 biennium as had been recommended in the Executive Budget.

Institutions and Cultural Education

The revised Executive Budget proposed: 1) closing the Montana State Hospital at Galen by July 1, 1991; 2) transferring the patients to private nursing home facilities and other state facilities; and 3) contracting with private providers for alcohol and drug programs. The executive estimated that the closure would reduce general fund costs by \$6 million during the 1993 biennium and reduce the number of state employees by 185.

Legislative studies suggested that savings during the 1993 biennium would be considerably less, due to first-year closure expenses for unemployment and employee benefits. The LFA estimated that net savings during the biennium would be less than \$3 million. Questions also arose concerning the availability and cost of community drug and alcohol services.

The 1991 legislature approved the continued operation of the facility. In House Bill 966, it also approved a study of possible future uses of the facility by a committee composed of legislators, health professionals, Galen Task Force members, and executive branch staff.

The legislature continued the \$0.6 million biennial appropriation for state assistance for local libraries provided by the 1989 legislature and added an additional \$0.3 million general fund for the 1993 biennium.

General Government and Highways

The legislature significantly increased House Bill 2 general fund appropriations for several programs in the Department of Justice to implement new legislation passed during the 1991 session: \$0.3 million for additional staff in the Fire Marshall Bureau, \$0.2 million for increased county attorney salaries, and

\$1.2 million for 20.2 additional staff in the drivers license examination stations. Similarly, \$0.5 million general fund was added in the Judiciary to fund the judicial salary increases and the new judicial district enacted by the legislature. The Executive Budget did not include these appropriations.

House Bill 864 transferred the District Court Reimbursement program from the Department of Commerce to the Judiciary, with no increase in appropriation or staffing levels. This transfer was not included in the Executive Budget.

Natural Resources and Commerce

The legislature reduced several general fund budget modifications included in the Executive Budget. While providing the first general fund appropriation for maintenance of state parks in several biennia, the legislature reduced the executive request by \$ 0.8 million. Authorizing 2.25 additional FTE in fiscal 1992 and 4.75 additional FTE in fiscal 1993 for enhanced management and administration of state lands, the legislature reduced the executive request for this modification by 2.0 FTE and \$0.2 million general fund. The legislature did not provide funding for the four additional meat and poultry inspectors requested in the Department of Livestock budget (at a biennial general fund cost of \$0.2 million). This program has expanded from 3.0 FTE in fiscal 1988 to 13.0 FTE in fiscal 1991.

Pay Plan

The revised Executive Budget proposed a market-based, open-range pay plan at a general fund cost of \$28.4 million. Under this proposal, all state and university system employees would have received a 3 percent per year general salary increase. In addition, employees under the general pay matrix would have received a progression increase of 0.125 percent for each full percent they were below the market salary. Exempt employees, university faculty, and state employees on the blue collar, teacher, and liquor store employee matrices were not included in the progression

COMPARISON WITH EXECUTIVE BUDGET

increase. In addition, the state contribution for health insurance would have increased \$15 per month in fiscal 1992 and \$30 in fiscal 1993, compared to the fiscal 1991 level. Under the revised Executive proposal, state agencies were fully funded for the proposed plan. The university system would have received funding for 78 percent of the cost, with the remainder to be paid with tuition.

The legislature adopted a pay plan that combined a "cents per hour" pay increase with the progression increase concept. Based on a 60 cents per hour increase in fiscal 1992, a 25 cent per hour increase for the first half of fiscal 1993, an additional 20 cents per hour in the second half of fiscal 1993; a 0.125 percent progression increase per year for state employees on the general pay matrix; and an annual \$20 per month increase in health insurance premium contributions, the general fund cost of the plan is \$33.9 million for the biennium. Like the Executive proposal, state agencies are fully funded for the costs of the increase, while the university system will receive 78 percent funding, with the remainder to be paid through tuition increases.

Long Range Building

The Executive Budget proposed a \$111.1 million capital construction program, including a \$50.9 million general obligation bonding program, \$7.6 million in long range building funds (LRBP), and \$52.5 in state special, federal, and other funds. The legislature approved a \$142.2 million capital construction program, or \$31.1 million higher than the Executive Budget. Of this amount, \$61.3 million is funded with a general obligation bond program, \$8.0 million from the LRBP funds, \$3.0 million from the general fund, and \$69.9 million from state, federal, and other funds.

University System

The Executive Budget included four major construction projects at the university system funded in part through a \$31.5 million general fund bond program. The legislature approved funding for three

of these projects: an engineering building at Montana State University (MSU), a business administration building at the University of Montana funded by general fund, general fund obligation bonds, and donations; and repair of the gym at Northern Montana College funded by general fund and other funds. In addition, it approved the construction of the Life Science Building at the University of Montana, funded with federal funds. The legislature did not authorize the remodeling of a vacant residence hall at Eastern Montana College.

The Executive Budget proposed that the university units provide 15 percent of the cost of the bonded projects (\$5.7 million) with private donations or other funds. The legislature reduced the required match to 12 percent and provided a \$0.5 million general fund appropriation for the engineering building at MSU, to be used as part of its matching requirement.

In addition, the legislature approved general fund appropriations of \$0.6 million for a computer system at Eastern Montana College and \$0.6 million for deferred maintenance and equipment at the units.

The Executive Budget recommended \$4.0 million in capital projects funds for repair and preliminary design work at the units. The legislature approved \$4.3 million of these funds for these purposes.

Institutions

The Executive Budget included \$20.2 million for expansion of the men's prison at Deer Lodge, including construction of two closed/high security units and several support facilities, such as a guard tower, multi-purpose building, and dining/kitchen area. The Executive Budget proposed that inmate labor be used for part of the construction, reducing costs by an estimated \$2 million.

The legislature authorized the project, appropriating \$0.9 million from the LRBP funds and \$19.4 million from general obligation bond proceeds. Bills

COMPARISON WITH EXECUTIVE BUDGET

allowing use of inmate labor were not approved.

The Executive Budget did not include funds for construction of a new women's prison. Instead, it recommended that Montana cities submit bids to construct this facility with local and/or private funds. In the 1995 biennium, the Department of Institutions would enter into a lease arrangement with the selected city for use of the facility. Rejecting this lease approach, the legislature approved issuance of a general obligation bond for \$10.1 million to fund this project. The selection of its locations will be done by a committee composed of legislators and representatives of the administration, the public, and the Criminal Justice and Corrections Advisory Council.

While the Executive Budget proposed downsizing the Montana Developmental Center and renovating its physical plant to reflect goals of this downsizing, it did not include funds for this purpose. The legislature approved the issuance of an \$8.7 million bond issue to finance necessary construction. The bond costs are to be paid with federal medicaid reimbursement.

Reorganizations

The Executive Budget proposed two major reorganization proposals, one of which was approved by the legislature.

The legislature approved the creation of the Department of Transportation, consolidating the Department of Highways with the Motor Fuels Tax Division (Department of Revenue) and Transportation and Aeronautics Divisions (Department of Commerce).

The Executive Budget also proposed reorganizing natural resource agencies, transferring functions of the Departments of Health and Environmental Sciences (DHES) and State Lands (DSL) to the Department of Natural Resources and Conservation (DNRC) and functions from

DNRC, FWP, and the Fire Services Training School to DSL. The legislature did not approve this proposal.

Privatization

The Executive Budget proposed that state retail liquor operation and contracts for agency stores be discontinued during the 1993 biennium, allowing private companies to operate liquor stores. The Executive Budget estimated that a one-time general fund savings of \$4.0 million would be realized as the state-owned stock in state and agency liquor stores was sold.

During the session, the Legislative Auditor's Office concluded that the proposal would not result in any long-term cost benefit to the state, since reduction in expenditures associated with the stores would be offset by increased expenditures in warehousing, transportation and discounts, and a lower mark-up. Further, it concluded that the price of liquor purchased at privately-owned package stores would "more than likely be higher than the current state store retail price".

The legislature approved the continued operation of state retail liquor stores and agency contracts.

Big Sky Dividend

The Executive Budget proposed to "cap" the permanent coal tax trust beginning in fiscal 1992 and use 50 percent of the revenue from coal severance tax collections to fund a Big Sky Dividend grant program for local infrastructure needs.

Combining elements of the Big Sky Dividend and other infrastructure proposals, the legislature approved House Bill 795. This bill would have provided loans and grants for local government infrastructure projects, funded by diverting a portion of the coal tax trust fund revenue. The Governor vetoed House Bill 795.

GENERAL FUND SUMMARY

1993 Biennium Surplus

The 1991 legislature balanced the state budget without a general tax increase, leaving a projected \$23.7 million ending fund balance in the general fund at the end of the 1993 biennium. This balance is equal to approximately 4.6 percent of annual general fund disbursements. Table 1 shows the anticipated general fund revenue and disbursements for the biennium.

General Fund Expenditures

Disbursements during the 1993 biennium will increase slightly less (16.1 percent) than during the 1991 biennium (17.0 percent) and substantially less than the average biennial growth during the 1970's. However, disbursements will continue to exceed revenues, causing the general fund balance to drop from \$89.0 million at the end of fiscal 1990 to a projected \$23.7 million at the end of the biennium.

General Fund Revenues

As Table 2 shows, general fund revenue growth during the 1991 biennium (21.2 percent) and projected for the 1993 biennium (12.0 percent) is substantially higher than during the last decade. This is largely due to increased income and corporation tax collections, resulting from projected modest growth in wage and salary income and corporate profits. Since these tax sources account for nearly 50 percent of total general fund collections, any downturn in the economy will have a significant impact on the state treasury.

The projected \$23.7 million balance at the end of the 1993 biennium includes an anticipated \$10.8 million transfer to the school equalization account. As

discussed in the "School Foundation" section, estimated expenditures from the school equalization account during the 1993 biennium are anticipated to exceed estimated revenues by \$10.8 million. Section 20-9-351, MCA, requires the Superintendent of Public Instruction to request a general fund supplemental if revenues in the school equalization account are insufficient to fund state support for public schools.

The revenue estimates for the general fund and school equalization accounts for fiscal 1991 through 1993 are based on the economic assumptions adopted by the 1991 legislature in House Joint Resolution 24 (HJR24). However, based on data through early June, it appears that income tax collections for fiscal 1991 will be approximately \$20 million less than estimated in HJR24. While collections from withholdings on wage and salary income are slightly above the estimates, there is a marked decline in payment of estimated taxes on nonwage and salary income (capital gains, interest and dividends, rents and royalties, and farm income). Because a significant portion of this estimated tax is received in late April, final information on fiscal 1991 collections from this source was not available during the 1991 legislature.

The shortfall in fiscal 1991 collections will reduce the ending fund balance going into the 1993 biennium by approximately \$20 million. Since estimated tax collections are more volatile than wage and salary income, it is difficult to predict whether the shortfall in fiscal 1991 is a leading indicator for 1993 biennium collections.

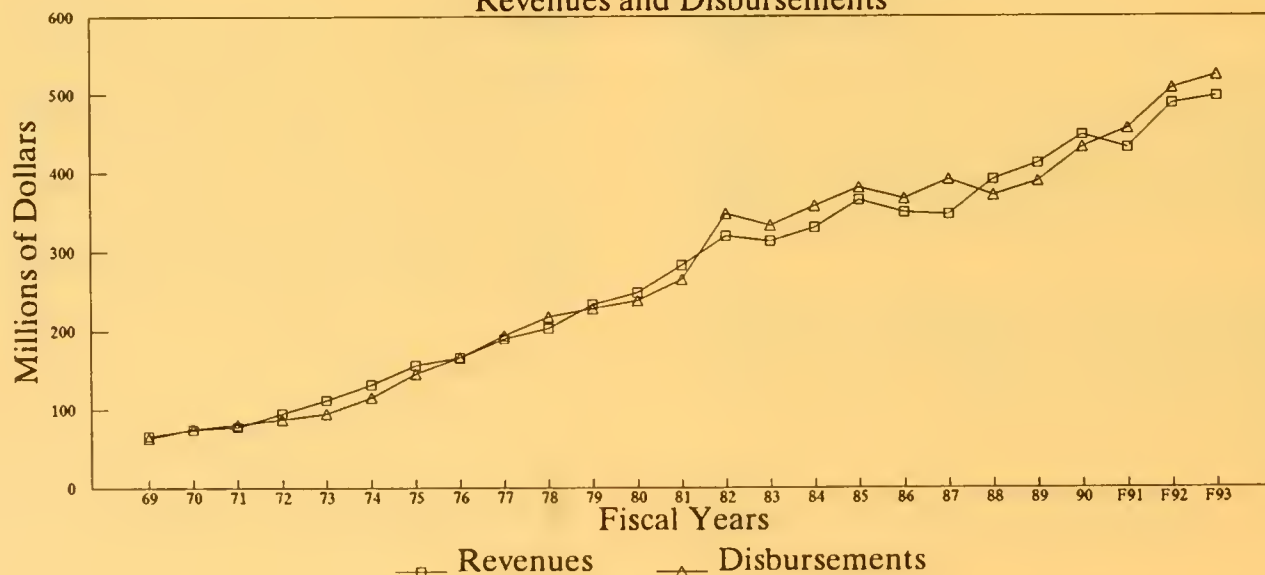
Table 3 provides a summary of general fund appropriation bills passed by the 1991 legislature.

GENERAL FUND SUMMARY

General Fund Summary Revenue and Disbursement Statistics In Millions

F Y	Annual Revenue	Biennium Revenue	Percent Change	Annual Disbursements	Biennium Disbursements	Percent Change
69	\$66.707299			\$63.790000		
70	74.626788			75.616000		
71	78.010512	\$152.637300		81.299944	\$156.915944	
72	95.176800			87.956650		
73	112.569763	207.746563	36.10%	94.739472	182.696122	16.43%
74	131.756689			115.543830		
75	156.641727	288.398416	38.82%	146.247584	261.791414	43.29%
76	166.345787			166.340893		
77	189.879345	356.225132	23.52%	194.300258	360.641151	37.76%
78	203.244549			218.093767		
79	233.360791	436.605340	22.56%	228.763427	446.857194	23.91%
80	248.131743			238.167938		
81	282.526748	530.658491	21.54%	264.551569	502.719507	12.50%
82	320.259309			347.901270		
83	313.575015	633.834324	19.44%	332.610274	680.511544	35.37%
84	330.305498			357.387046		
85	364.521837	694.827335	9.62%	380.358776	737.745822	8.41%
86	349.541482			366.815431		
87	346.689859	696.231341	0.20%	391.324548	758.139979	2.76%
88	391.152206			370.853289		
89	411.723287	725.774493	4.24%	388.270121	759.123410	0.13%
90	447.961774			432.323202		
F91	431.359000	879.320774	21.16%	456.004000	888.327202	17.02%
F92	487.648000			507.443000		
F93	497.173000	984.821000	12.00%	523.737000	1031.180000	16.08%

GENERAL FUND SUMMARY Revenues and Disbursements



GENERAL FUND SUMMARY

Estimated General Fund Balance In Millions						
	Actual Fiscal 1990	Estimated Fiscal 1991	Estimated Fiscal 1992	Estimated Fiscal 1993	Estimated FY 90-91	Estimated FY 92-93
Beginning Fund Balance	\$67.234	\$89.038	\$70.101	\$50.306	\$67.234	\$70.101
Receipts						
Estimated Receipts	447.962	431.359	487.648	497.173	879.321	984.821
Total Available	\$515.196	\$520.397	\$557.749	\$547.479	\$946.555	\$1,054.922
Disbursements						
General Appropriations	432.323	409.662	453.868	452.795	841.985	906.663
Pay Plan Appropriations			12.962	20.914		33.876
Statutory Appropriations						
Property Tax Reimbursement		18.349	18.500	18.500	18.349	37.000
Debt Service		10.955	10.817	11.754	10.955	22.571
TRANS Interest			3.105	5.967		9.072
Retirement Benefits			3.341	3.729		7.070
Miscellaneous Appropriations			12.966	2.843		15.809
Continuing Appropriations		3.693			3.693	
Supplementals						
All Other Agencies		19.846			19.846	
State Equalization Account				10.781		10.781
Feed Bill		4.499		4.500	4.499	4.500
Reversions		(11.000)	(8.116)	(8.046)	(11.000)	(16.162)
Anticipated Disbursements	\$432.323	\$456.004	\$507.443	\$523.737	\$888.327	\$1,031.180
Adjustments	5.969				5.969	
Foundation Program Reversion						
Residual Equity Transfer	0.196	5.708			5.904	
Ending Fund Balance	<u>\$89.038</u>	<u>\$70.101</u>	<u>\$50.306</u>	<u>\$23.742</u>	<u>\$70.101</u>	<u>\$23.742</u>

Estimated School Equalization Fund Balance In Millions						
	Actual Fiscal 1990	Estimated Fiscal 1991	Estimated Fiscal 1992	Estimated Fiscal 1993	Estimated FY 90-91	Estimated FY 92-93
Beginning Fund Balance	\$15.309	\$20.592	\$32.088	\$8.249	\$15.309	\$32.088
Receipts						
Estimated Receipts	279.964	399.329	373.772	379.451	679.293	753.223
Education Trust Transfer						
Total Available	\$295.273	\$419.921	\$405.860	\$387.700	\$694.602	\$785.311
Disbursements						
Current Level Schedules	287.393	347.887	348.181	349.023	635.280	697.204
Guaranteed Tax Base		44.382	45.374	45.395	44.382	90.769
Transportation Costs			3.908	3.914		7.822
Telecommunications Network			0.148	0.149		0.297
Anticipated Disbursements	\$287.393	\$392.269	\$397.611	\$398.481	\$679.662	\$796.092
Adjustments	(1.776)	4.436			2.660	
Residual Equity Transfer	14.488				14.488	
Ending Fund Balance	<u>\$20.592</u>	<u>\$32.088</u>	<u>\$8.249</u>	<u>(\$10.781)</u>	<u>\$32.088</u>	<u>(\$10.781)</u>

GENERAL FUND SUMMARY

Table 3
General Fund Appropriation Summary
1991 Session

Bill No.	Description of Legislation	Fiscal 1991	Fiscal 1992	Fiscal 1993
HB001*	Feed Bill	\$4,499,497		
HB002	General Appropriations Act		\$453,868,142	\$452,794,707
HB003	FY91 Supplemental Appropriations	19,846,383		
HB005*	Appropriation For Capital Projects		3,000,000	
HB030	Ed. Telecommunications Network		300,000	300,000
HB077	Automobile Ins. Premium Tax For Highway Patrol Pensions		345,000	233,000
HB093	Utilization Fee For Bed Days In Nursing Homes		1,239,048	1,253,979
HB125*	American Indian/Minority Achievement Appropriation		175,648	
HB131*	Human Skeletal Remains And Burial Site Protection Act		10,000	
HB142*	Committee On Postsecondary Education Policy And Budget		66,000	
HB179	Maintenance Of Veterans' Cemetery		22,806	22,795
HB340*	Property Taxation Of Forest Land Based On Forest Productivity Value		980,838	
HB365*	Applied Genetic Engineering Technology Research/Development		60,000	
HB371*	Family Services Appropriation For In-Home Services		200,000	
HB477	Microbusiness Development Act		64,600	
HB489*	Clothing Allowance - Foster Care Children		266,186	
HB491*	Respite Care For Foster Children In Licensed Homes		100,000	
HB509*	Pay Plan Adjustments For State Employees		13,035,200	20,914,000
HB528	Request For Proposal For Siting Of Women's Prison		8,000	
HB569*	Family Services Info. Management System		547,339	
HB579	Create Motor Vehicle Computer Renewal System		639,300	837,900
HB696*	Increase and Extend Funding For Statewide Genetics Program		1,069,299	
HB746*	Indian Monument And Flag Circle On Capital Grounds		6,000	
HB876*	Revise and Continue The Miami Project		14,000	
HB903*	Create Court Automation Account and Court Automation Fees		420,000	
HB959	Revise Montana Individual Income Tax Laws		108,225	78,705
HB966*	Study Future Of Galen And Warm Springs State Hospital		37,000	
HB978	Seek Waiver To Provide Services In Personal Care Facilities			60,000
HB990*	Fund Nat'l Historic Trail Interpretive Ctr		700,000	
HB999*	Out-Of-District Placement Of Child With Disability		2,471,000	
SB232	Salvage And Motor Vehicle Inspection/ Identifying Program		42,750	57,000
Total		\$24,345,880	\$479,796,381	\$476,552,086

*Continuing Appropriations

ECONOMIC OVERVIEW

Introduction

The budget for the State of Montana for the 1993 biennium depends upon the current and future economic condition of the state, nation, and world economies. These conditions not only affect tax receipts, they dictate the costs of goods and services purchased by state government. Clearly, economic assumptions were a vital component in formulating the biennial budget.

The key economic variables that affect state government receipts and disbursements are Montana total personal income, Montana employment levels, inflation rates, energy prices, and interest rates.

The Fifty-first Legislature appropriated funds to the Office of Budget and Program Planning

(OBPP) to contract with an economic reporting and forecasting firm. Wharton Econometrics, the firm selected for this purpose, provides short and long-term econometric forecasts to the OBPP and Legislative Fiscal Analyst (LFA). These forecasts were incorporated in the revenue forecasts whenever appropriate.

The economic assumptions used in preparing the revenue forecasts for fiscal 1991 through 1993 were based upon the economic assumptions adopted in House Joint Resolution 24, "A Joint Resolution of the Senate and the House of Representatives Establishing an Official Estimate of the State's Anticipated Revenue for Each Year of the 1992-3 Biennium." Adopted in accordance with Section 5-18-107, MCA, House Joint Resolution 24 is contained in Appendix 2 of Volume II of this report.

ECONOMIC OVERVIEW

Personal Income

Montana's total personal income is defined as labor income, transfer payments, dividends, interest and rents, less personal contributions for social security. This variable is critical in budget development because of its impact on state government tax receipts and disbursements. Total personal income not only limits the growth in government disbursements, it also reflects the ability of the people of Montana to purchase food, clothing, automobiles, and other items. Collections of personal income tax, corporate income tax, and many other taxes, such as liquor and insurance, are affected by personal income levels.

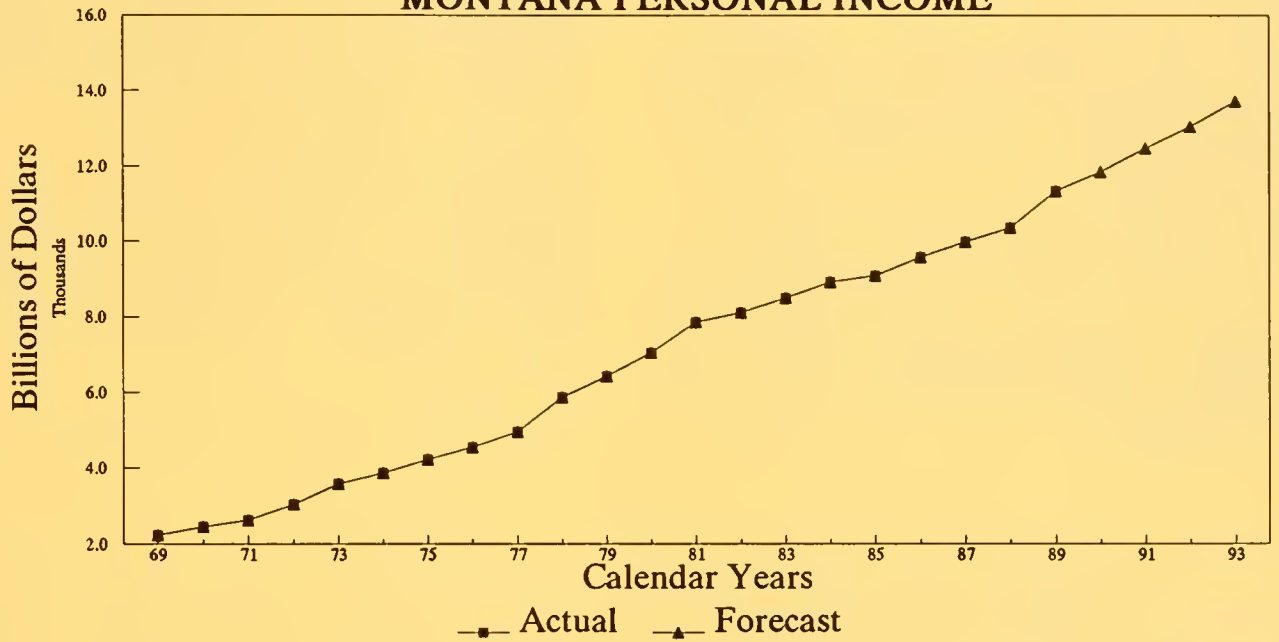
From 1970 to 1989, total personal income has increased 361 percent in Montana versus 429 percent nationally. The state's per capita income for 1989 was \$14,078 compared with the national figure of \$17,596. As shown in the table that follows, Montana's total personal income is expected to continue to lag national income growth. This trend is premised on slow economic growth, the general trend to limit wage concessions, and the continued shift in employment from basic industries to the service sectors.

The following tables summarize personal income statistics for Montana and the United States.

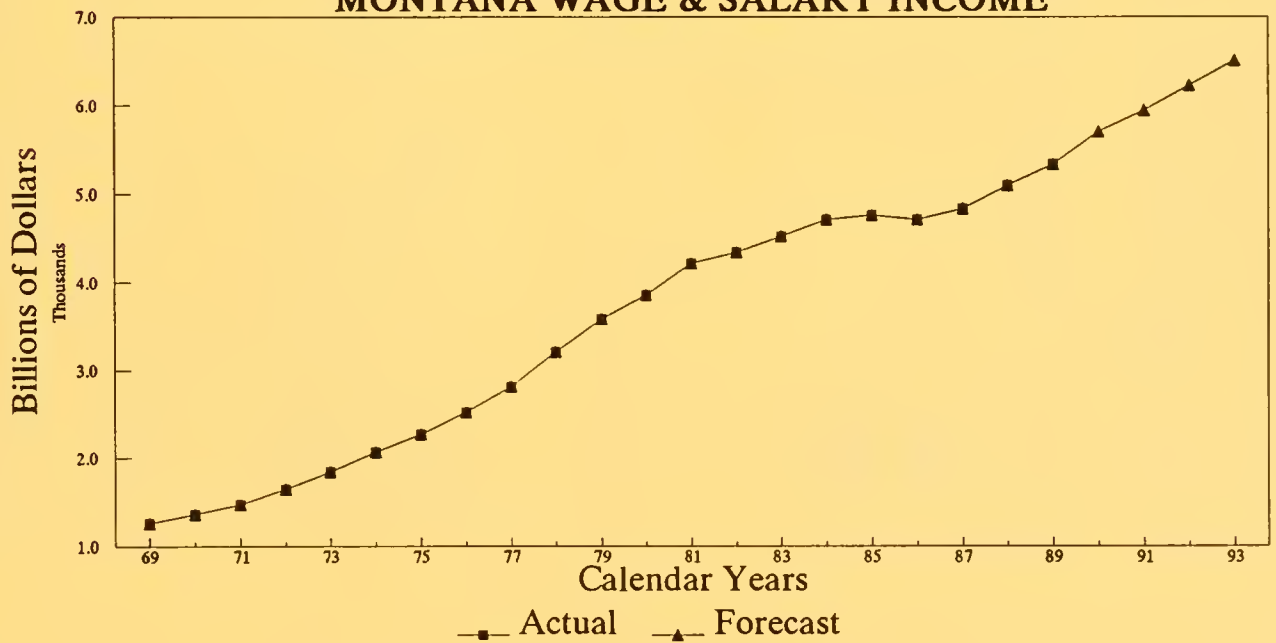
Year	Montana Personal Income	Percent Change	Montana Disposable Income	Percent Change	Montana Wage&Salary Income	Percent Change	US Personal Income	Percent Change
A 69	\$2,226.095		\$1,935.482		\$1,259.333		\$766.522	
A 70	2459.435	10.48%	2138.547	10.49%	1358.985	7.91%	825.534	7.70%
A 71	2613.661	6.27%	2272.771	6.28%	1470.691	8.22%	888.536	7.63%
A 72	3044.809	16.50%	2648.041	16.51%	1640.168	11.52%	976.181	9.86%
A 73	3580.328	17.59%	3114.219	17.60%	1837.878	12.05%	1095.289	12.20%
A 74	3866.476	7.99%	3363.341	8.00%	2065.305	12.37%	1204.899	10.01%
A 75	4221.699	9.19%	3672.622	9.20%	2266.550	9.74%	1308.482	8.60%
A 76	4543.154	7.61%	3952.523	7.62%	2518.970	11.14%	1447.002	10.59%
A 77	4951.869	9.00%	4308.428	9.00%	2805.484	11.37%	1602.863	10.77%
A 78	5859.822	18.34%	5099.155	18.35%	3209.329	14.39%	1806.968	12.73%
A 79	6428.461	9.70%	5594.433	9.71%	3583.736	11.67%	2028.510	12.26%
A 80	7039.551	9.51%	6126.727	9.51%	3858.892	7.68%	2254.076	11.12%
A 81	7858.105	11.63%	6839.798	11.64%	4220.470	9.37%	2514.231	11.54%
A 82	8118.020	3.31%	7066.233	3.31%	4340.394	2.84%	2663.432	5.93%
A 83	8503.906	4.75%	7402.424	4.76%	4521.138	4.16%	2834.385	6.42%
A 84	8922.334	4.92%	7766.981	4.92%	4714.358	4.27%	3101.163	9.41%
A 85	9092.290	1.90%	7915.061	1.91%	4764.534	1.06%	3317.545	6.98%
A 86	9587.581	5.45%	8346.612	5.45%	4711.331	-1.12%	3519.364	6.08%
A 87	9979.768	4.09%	8688.341	4.09%	4832.286	2.57%	3754.396	6.68%
A 88	10361.148	3.82%	9020.665	3.82%	5092.167	5.38%	4058.655	8.10%
A 89	11341.579	9.46%	9875.035	9.47%	5336.400	4.80%	4368.129	7.63%
F 90	11848.585	4.47%	10316.877	4.47%	5707.851	6.96%	4651.300	6.48%
F 91	12470.605	5.25%	10858.973	5.25%	5941.054	4.09%	4902.100	5.39%
F 92	13041.216	4.58%	11356.286	4.58%	6226.144	4.80%	5235.800	6.81%
F 93	13711.575	5.14%	11940.559	5.14%	6508.997	4.54%	5608.100	7.11%

ECONOMIC OVERVIEW

MONTANA PERSONAL INCOME



MONTANA WAGE & SALARY INCOME



ECONOMIC OVERVIEW

Employment

Total state employment measures the ability of the state's economic base to provide jobs for its residents.

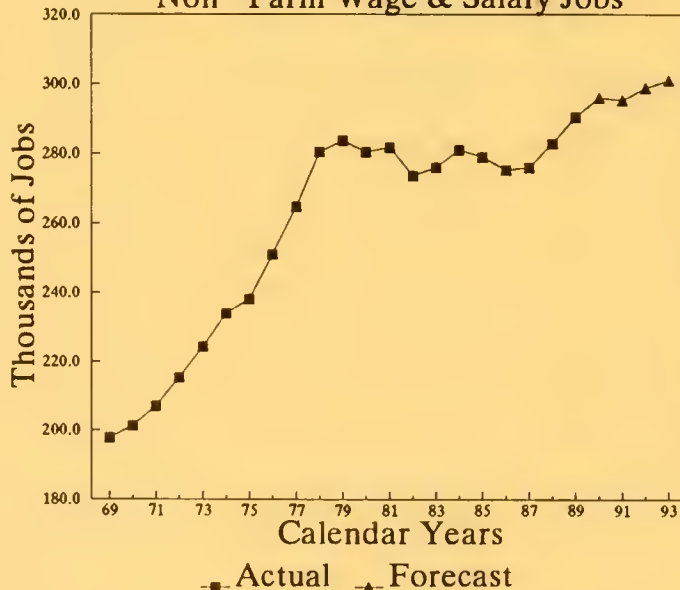
When forecasting state revenues, nonfarm wage and salary employment is used as a proxy for employment levels. Even though this statistic does not include all employment, it does provide a consistent indicator of the relevant labor market.

Employment levels in the state affect total personal income and are also indicative of the state's business activity. The relationship among personal income, consumer spending, and, ultimately, corporate profits explains why personal income, corporate income, and sumptuary taxes are affected by changes in this variable.

From 1970 to 1989, nonfarm wage and salary employment grew by about 44 percent or 89,200 jobs. Almost all of this increase was in the wholesale/retail trade and service sectors. Traditionally, these jobs have been at the lower end of the pay scale. In the 1980's, the manufacturing, mining, construction, and transportation sectors have experienced decreased employment. These jobs tended to have higher than average salaries.

The table below provides historical and forecast values for nonfarm wage and salary employment. Employment is expected to increase at about one-half the 1.9 percent annual historical rate observed since 1970. Most of the growth is expected in the services sector, offsetting declines in some of the basic industries.

MONTANA EMPLOYMENT
Non-Farm Wage & Salary Jobs



C Y	Total Non-Farm Jobs	Percent Change	Total Service Jobs	Percent Service
69	197,700		79,100	40.01%
70	201,300	1.82%	81,800	40.64%
71	207,100	2.88%	85,400	41.24%
72	215,400	4.01%	90,800	42.15%
73	224,400	4.18%	96,700	43.09%
74	234,000	4.28%	101,200	43.25%
75	238,200	1.79%	103,400	43.41%
76	251,100	5.42%	111,400	44.36%
77	264,800	5.46%	116,400	43.96%
78	280,400	5.89%	124,800	44.51%
79	283,900	1.25%	127,700	44.98%
80	280,400	-1.23%	127,400	45.44%
81	281,800	0.50%	129,000	45.78%
82	273,700	-2.87%	128,200	46.84%
83	276,000	0.84%	131,400	47.61%
84	281,100	1.85%	135,500	48.20%
85	279,100	-0.71%	135,200	48.44%
86	275,400	-1.33%	134,700	48.91%
87	276,000	0.22%	137,700	49.89%
88	282,900	2.50%	142,700	50.44%
89	290,500	2.69%	149,200	51.36%
90	296,000	1.89%	154,100	52.06%
91	295,300	-0.24%	153,900	52.12%
92	298,900	1.22%	155,400	51.99%
93	301,000	0.70%	156,200	51.89%

ECONOMIC OVERVIEW

Inflation

Inflation indices measure the rate of price escalation and/or decrease for goods and services. The most commonly used statistic is the Consumer Price Index (CPI) which is based on prices of food or clothing, shelter, fuel, drugs, transportation fares, doctor and dentist fees, and other items.

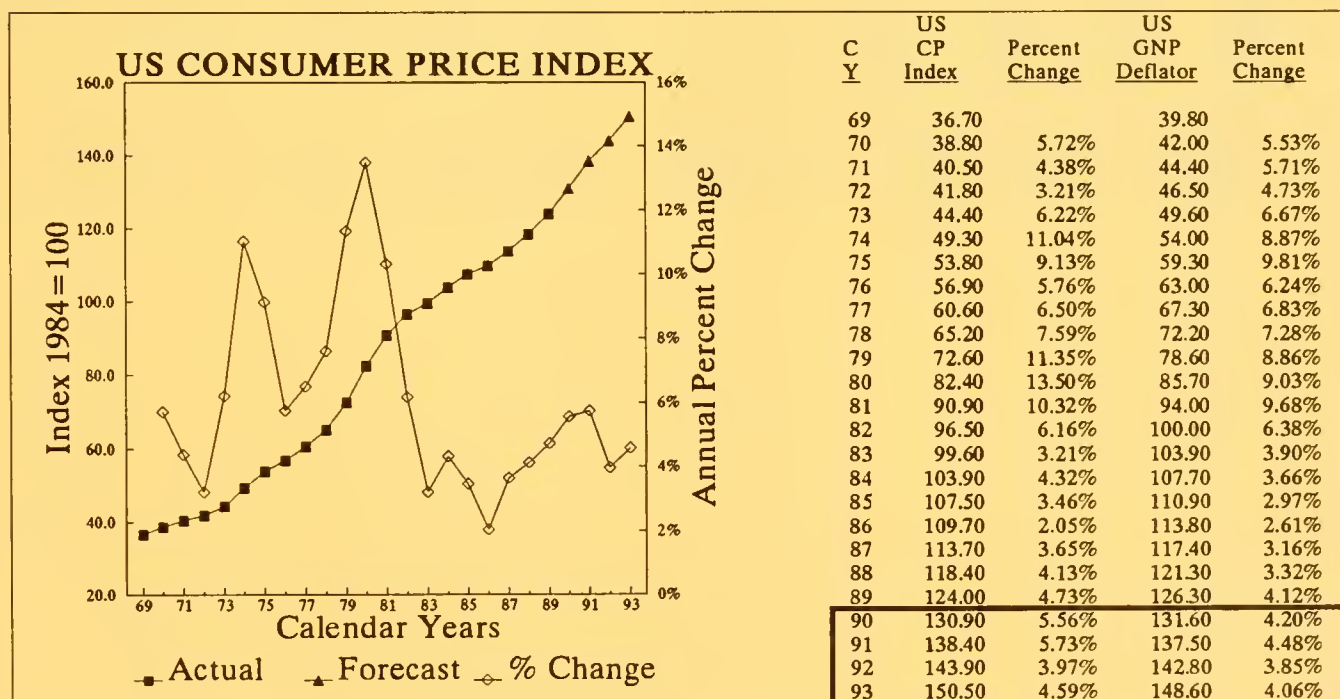
During high inflationary periods, consumption of goods and services may decline. This not only decreases employment levels but may discourage business activity because of higher operating costs. Low inflation may result in higher consumption, increased employment, and greater business opportunities.

Inflation rates have an impact on most revenue sources. The sources that are especially affected include personal

income taxes, public institution reimbursements, and corporation taxes.

An annual inflation rate of 5.7 percent is expected during calendar year 1991, due primarily to higher energy prices. However, this rate is forecast to decline to a more moderate rate during calendar years 1992 and 1993 of roughly 4.0 to 4.6 percent. This outlook anticipates: 1) wage negotiations will be sensitive to the need for reasonable compensation because of a highly competitive world market; 2) oil prices and related energy prices will be stable; and 3) food prices will be relatively stable throughout the forecast period.

The table below lists two measures of inflation as published by Wharton Econometrics. These national averages are provided because indices for Montana are not available.



ECONOMIC OVERVIEW

Energy Prices

Montana has a vast potential for oil, coal, and natural gas exploration and extraction. Because of this potential and our current level of natural resource taxation, energy prices play a critical role in the budgetary process. Oil, coal, and natural gas severance taxes are directly affected by energy prices.

Oil

Oil well-head prices are expected to average \$21.50 per barrel during calendar year 1991 and remain at about this level during calendar years 1992 and 1993. However, prices are not expected to reach pre-Mid-East crisis levels throughout the forecast period. This assumption reflects continued market instability and supply volatility.

Natural Gas

Under the Natural Gas Policy Act of 1978, prices for all new gas were deregulated on January 1, 1985. As was anticipated, prices decreased even with deregulation, due to contract renegotiations, lower import prices primarily from Canada, and the competitive prices of other fuels. Average natural gas well-head prices are expected to increase throughout the forecast period. By calendar 1991, natural gas surpluses are expected to

begin diminishing and world oil prices are expected to be higher. With a more limited supply and more competitively priced fuels, well-head prices should begin to rise.

Coal

The coal industry in the United States and Montana is heavily dependent upon demand for electrical power. Slow economic growth at both the state and national levels, combined with energy conservation, may contribute to slower electrical usage growth.

With low demand and the competitive prices of other fuels, coal prices have remained soft. These conditions, in conjunction with royalty deductions approved by the Forty-eighth Legislature, have caused coal prices to decrease since calendar 1983.

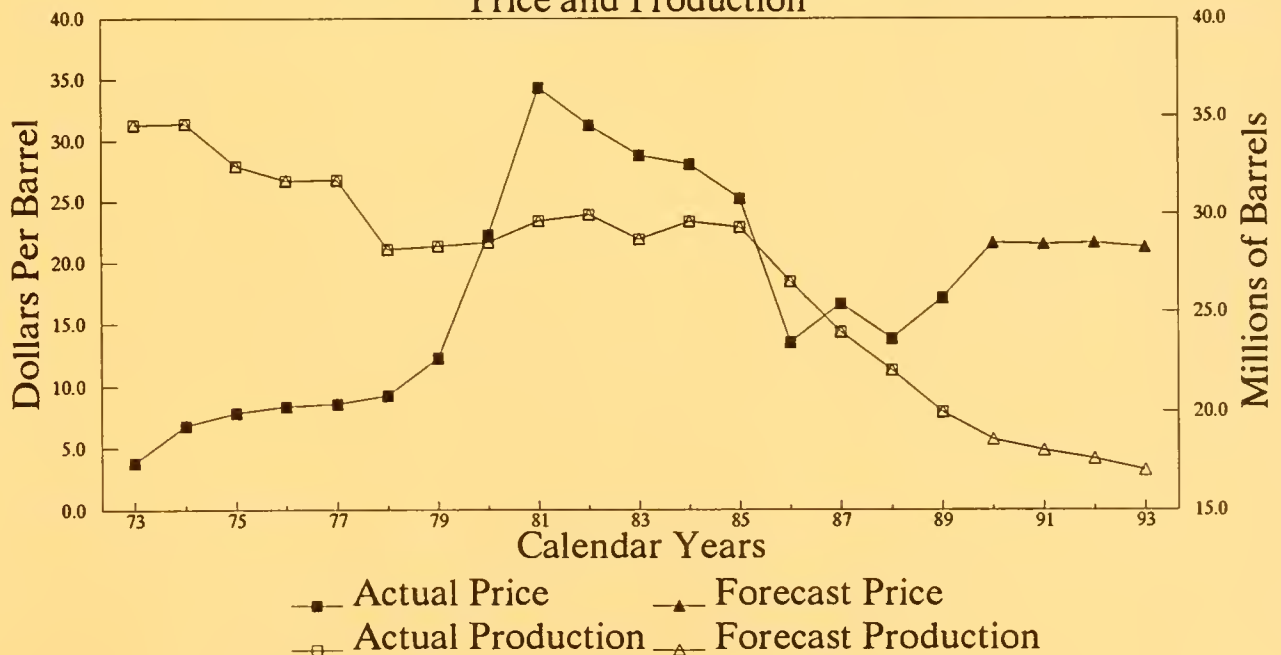
Since most of Montana's coal is sold to utilities under long-term contracts, prices generally increase by inflation indices specified in the contracts. Because of the soft market, it is assumed coal companies will hold prices relatively constant to maintain competitiveness with other fuels.

The following tables provide historical and projected energy prices for oil, coal, and natural gas. Historical data reflects data reported on tax returns, while projections are those contained in HJR 24.

ECONOMIC OVERVIEW

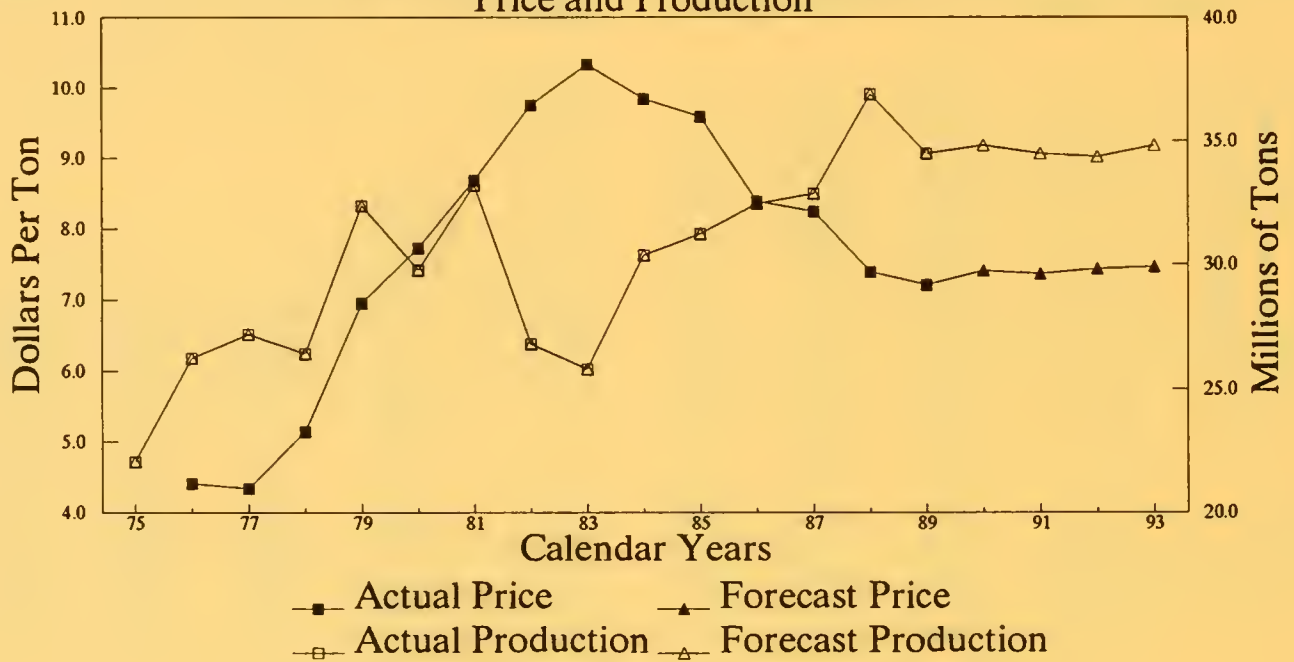
Year	Montana Oil Price	Montana Oil Production	Percent Change	Montana Coal Price	Montana Coal Production	Percent Change	Montana Natural Gas Price	Montana Natural Gas Production	Percent Change
A 73	\$3.843	34.558							
A 74	6.814	34.629	77.31%						
A 75	7.845	32.460	15.13%		22.076				
A 76	8.411	31.698	7.21%	\$4.415	26.226				
A 77	8.582	31.725	2.03%	4.344	27.205	-1.61%			
A 78	9.253	28.164	7.82%	5.154	26.418	18.65%			
A 79	12.279	28.337	32.70%	6.951	32.350	34.87%			
A 80	22.250	28.539	81.20%	7.724	29.752	11.12%			
A 81	34.317	29.639	54.23%	8.686	33.188	12.45%			
A 82	31.311	29.944	-8.76%	9.758	26.815	12.34%	\$2.067	44.655	
A 83	28.804	28.695	-8.01%	10.332	25.785	5.88%	2.287	43.456	10.66%
A 84	28.066	29.602	-2.56%	9.846	30.359	-4.70%	2.355	44.079	2.96%
A 85	25.243	29.318	-10.06%	9.592	31.213	-2.58%	2.175	44.330	-7.63%
A 86	13.518	26.525	-46.45%	8.387	32.416	-12.56%	1.919	39.444	-11.78%
A 87	16.631	23.961	23.03%	8.240	32.847	-1.75%	1.438	39.690	-25.05%
A 88	13.843	22.064	-16.76%	7.385	36.879	-10.38%	1.503	45.126	4.52%
A 89	17.098	19.957	23.51%	7.209	34.469	-2.38%	1.659	45.595	10.37%
F 90	21.602	18.558	26.34%	7.409	34.822	2.77%	1.564	45.168	-5.75%
F 91	21.500	18.000	-0.47%	7.362	34.473	-0.63%	1.773	45.622	13.41%
F 92	21.600	17.600	0.47%	7.434	34.356	0.98%	1.907	47.304	7.53%
F 93	21.227	17.000	-1.73%	7.456	34.818	0.30%	2.097	47.437	10.00%

MONTANA OIL STATISTICS Price and Production

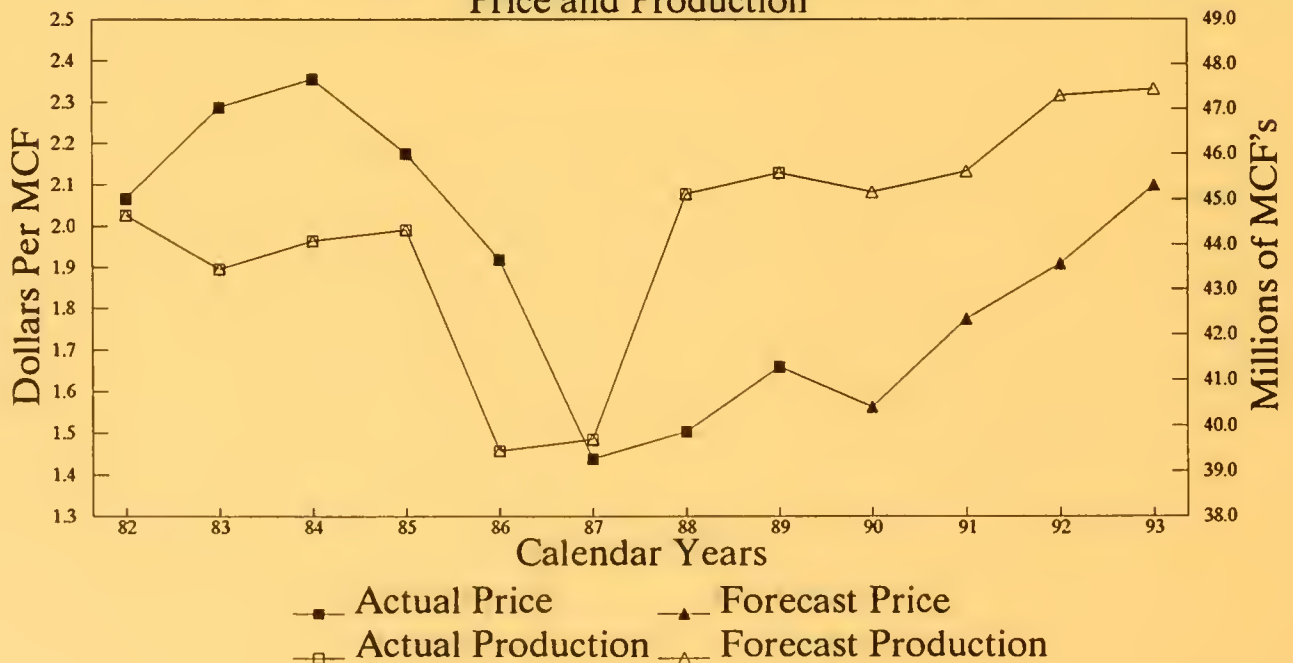


ECONOMIC OVERVIEW

MONTANA COAL STATISTICS Price and Production



MONTANA NATURAL GAS STATISTICS Price and Production



ECONOMIC OVERVIEW

Interest Rates

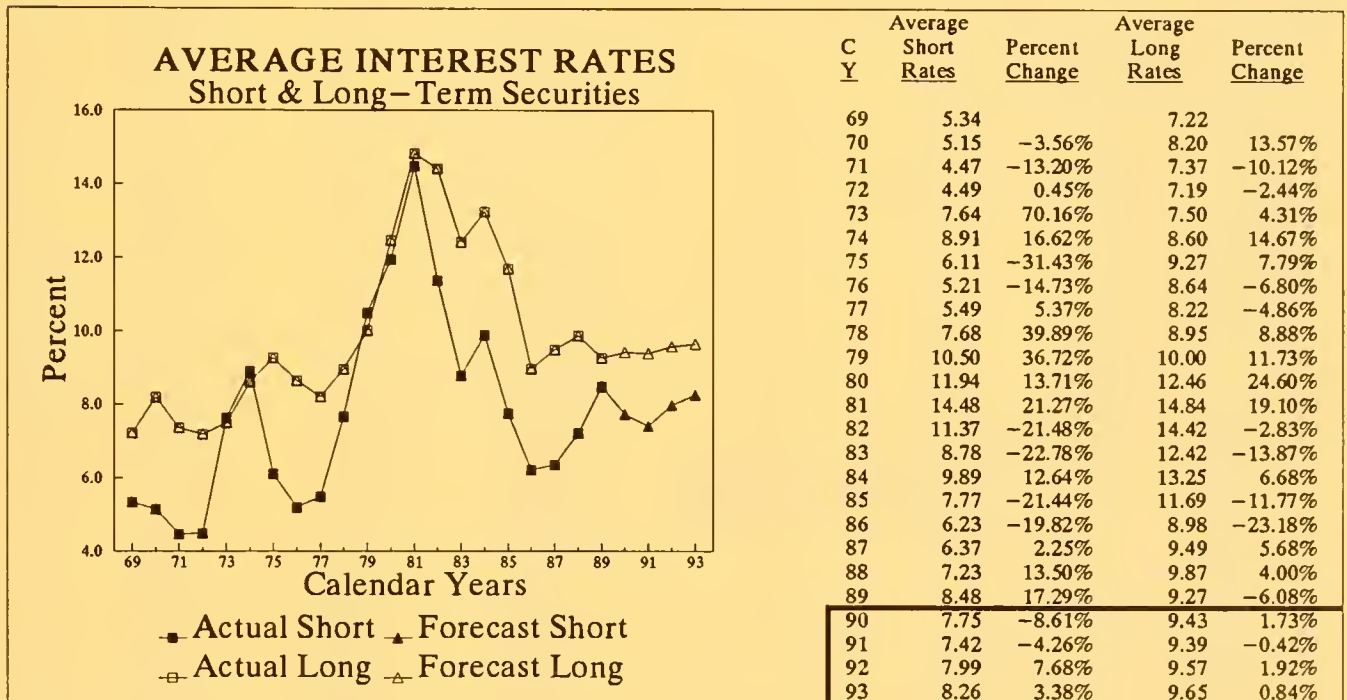
Interest rates are highly susceptible to federal policies and the actions of the Federal Reserve Board. Critical factors affecting interest rates include: the Federal Reserve's philosophy on monetary policy, the federal deficit, and changes in the value of the dollar.

Interest rates are expected to decline in calendar 1991 and then increase slightly in calendar 1992 and 1993. This assumption is based on a less restrictive monetary policy by the Federal Reserve, at least in the near-term.

However, by calendar year 1992, a tightening of the money supply is anticipated. This change should limit funds available thereby restricting economic expansion.

Interest rates directly affect Montana's investment earnings from both short and long-term securities. In addition, these rates impact other tax sources by influencing economic variables such as construction activity, consumer spending, and business borrowing.

The following table provides historical interest rates as provided by Wharton Econometrics. Also presented in the table are the projected interest rates developed by the LFA.



ECONOMIC ASSUMPTIONS

<u>YEAR</u>	<u>ASSUMPTION</u>	<u>CY/FY</u> <u>1990</u>	<u>CY/FY</u> <u>1991</u>	<u>CY/FY</u> <u>1992</u>	<u>CY/FY</u> <u>1993</u>
	MT Population July 1 (Thousands)	800	800	804	808
	MT Population >=16 July 1 (Thousands)	608	609	613	617
	MT Population 18-24 July 1 (Thousands)	71	67	64	61
CY	MT Nonfarm Employment (Thousands)	294.800	295.300	298.900	301.000
CY	MT Personal Income (Billions)	\$11.833	\$12.471	\$13.041	\$13.712
CY	MT Nonfarm Wage & Salary Income (Billions)	\$5.676	\$5.941	\$6.226	\$6.509
CY	U.S. Corporate Profits Before Taxes (Billions)	\$297.700	\$303.400	\$310.300	\$306.600
CY	CPI Percent Change	5.56%	5.73%	3.97%	4.59%
FY	Short-Term Interest Rate	8.12%	7.59%	7.71%	8.13%
FY	Long-Term Interest Rate	9.35%	9.41%	9.48%	9.61%
CY	Prime Interest Rate	9.95%	9.81%	10.00%	10.00%
FY	Treasury Cash Average Balance (Millions)	\$327.724	\$266.596	\$238.918	\$219.369
FY	TRANS Issue (Millions)	\$0.000	\$0.000	\$0.000	\$0.000
FY	Individual Income Tax Audits (Millions)	\$9.428	\$8.930	\$9.431	\$9.954
FY	Corporation Tax Audits (Millions)	\$8.369	\$8.109	\$8.239	\$8.174
CY	Total Oil Production (Million Barrels)	18.558	17.809	17.196	16.525
CY	Montana Oil Price (\$/Barrel)	\$20.982	\$23.729	\$21.600	\$21.227
FY	Statewide Taxable Valuation (Millions)	\$1,884.550	\$1,564.317	\$1,587.654	\$1,616.398
CY	Total Coal Production (Million Tons)	34.822	34.473	34.356	34.818
CY	Montana Coal Price (CSP/Ton)	\$7.409	\$7.362	\$7.434	\$7.456
FY	Coal Tax Credits (Millions)	\$7.141	\$4.996	\$2.449	\$0.000
CY	Total Natural Gas Production (M MCF)	45.168	45.622	47.304	47.437
CY	Montana Natural Gas Price (\$/MCF)	\$1.564	\$1.773	\$1.907	\$2.097
CY	Copper Production (M lbs)	111.061	135.762	137.863	130.776
CY	Gold Production (M ozs)	0.357	0.348	0.345	0.347
CY	Silver Production (M ozs)	6.430	6.449	6.454	6.457
CY	Lead Production (M lbs)	11.651	11.665	11.674	11.739
CY	Zinc Production (M lbs)	31.986	32.029	32.421	32.602
CY	Molybdenum Production (M lbs)	13.000	14.100	10.900	9.300
CY	Palladium Production (M ozs)	0.185	0.200	0.222	0.290
CY	Platinum Production (M ozs)	0.057	0.061	0.067	0.088
CY	Copper Price	\$1.031	\$1.046	\$1.038	\$1.042
CY	Gold Price	\$400.675	\$400.675	400.675	\$400.675
CY	Silver Price	\$4.775	\$4.775	\$4.775	\$4.775
CY	Lead Price	\$0.209	\$0.209	\$0.209	\$0.209
CY	Zinc Price	\$0.502	\$0.502	\$0.502	\$0.502
CY	Molybdenum Price	\$3.104	\$3.119	\$3.112	\$3.115
CY	Palladium Price	\$132.725	\$132.725	\$132.725	\$132.725
CY	Platinum Price	\$453.253	\$453.253	\$453.253	\$453.253
FY	Forest Receipts (Millions)	\$7.582	\$11.150	\$7.753	\$7.705
FY	Permanent Trust Gains/Losses (Millions)	\$1.685	\$1.195	\$1.195	\$1.195
FY	Common School Trust Gains/Losses (Millions)	\$1.394	\$1.231	\$1.231	\$1.231
FY	Resource Ind. Trust Gains/Losses (Millions)	\$0.339	\$0.339	\$0.339	\$0.339
FY	Park Acq. Trust Gains/Losses (Millions)	\$0.084	\$0.054	\$0.054	\$0.054
FY	Liquor Unit Sales (Millions)	4.883	4.780	4.680	4.582
FY	Wine Unit Sales (Millions)	0.121	0.100	0.083	0.067
FY	Liquor Cost Per Unit	\$4.890	\$4.977	\$5.066	\$5.156
FY	Wine Cost Per Unit	\$3.262	\$3.258	\$3.372	\$3.483
FY	Liquor Division Budget (% Change)	0.51%	0.00%	0.00%	0.00%
FY	Cigarette Packs (Millions)	69.568	68.874	68.068	67.156
FY	Tobacco Value (Millions)	\$7.145	\$7.626	\$8.053	\$8.490
FY	Insurance Premiums Growth (% Change)	1.89%	1.89%	1.89%	1.89%
FY	Insurance Premiums Tax Credit	\$2.151	\$3.231	\$4.311	\$5.391
FY	Police & Firemen Retirement (Millions)	\$6.076	\$6.213	\$6.391	\$6.479
CY	Telephone Taxable Income (Millions)	\$223.653	\$234.185	\$241.724	\$250.770
CY	Kilowatt Hours Produced (Millions)	22,674.000	22,664.000	22,682.000	22,663.000
FY	Barrels of Beer (Millions)	0.704	0.702	0.706	0.711
CY	Freight Line Earnings (Millions)	\$21.206	\$21.757	\$21.768	\$21.699
FY	Liters of Wine (Millions)	5.203	5.036	4.907	4.785
FY	Video Machine Net Income (Millions)	\$112.635	\$126.079	\$139.382	\$150.333
FY	Statewide Vehicle Value (Millions)	\$1901.204	\$1905.049	\$1935.412	\$1986.326
FY	Per Capita Lottery Sales	\$26.917	\$32.080	\$38.478	\$44.817

GENERAL FUND REVENUES BY COMPONENT

General Fund Revenue Estimates

General fund revenue includes receipts from levies upon personal income, corporate income, mineral extraction, alcoholic beverage consumption, insurance premiums, and numerous other fees, fines, and taxes. Since most sources are influenced by the economic climate, forecasts formulated for these

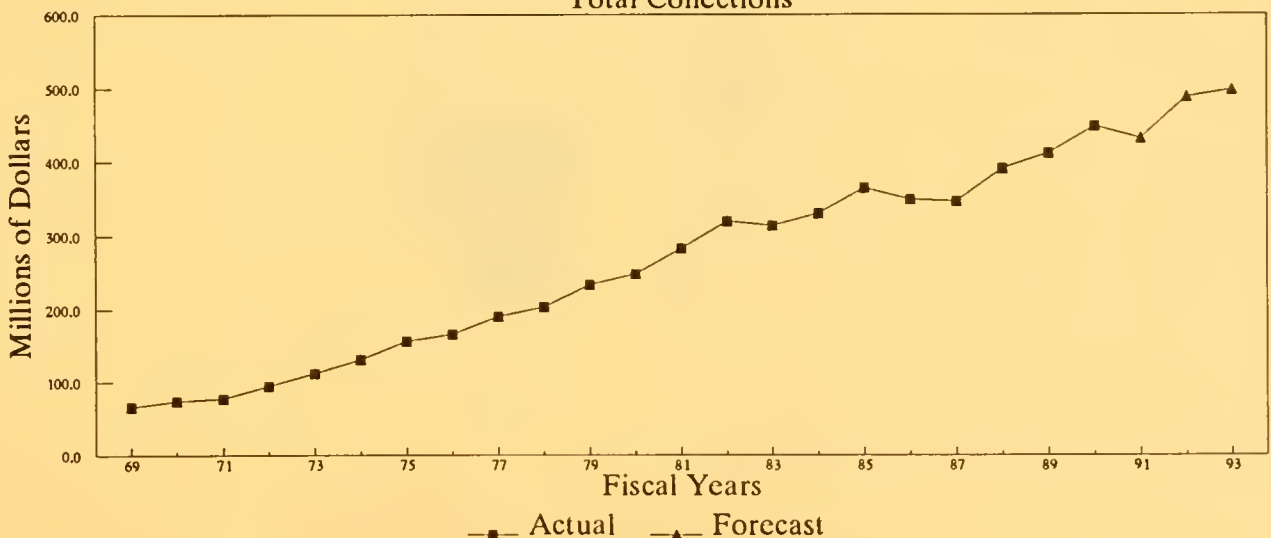
revenues utilize the economic forecasts previously outlined.

Following are descriptions summarizing the forecast methodology used for each of the larger general fund revenue sources. Also shown are historical collections for each major source and projected revenue for the 1993 biennium, as contained in HJR 24.

Source of Revenue	Actual Fiscal 1990	Estimated Fiscal 1991	Estimated Fiscal 1992	Estimated Fiscal 1993	Estimated FY 90-91	Estimated FY 92-93
Individual Income Tax	\$159.443210	\$150.245000	\$207.918000	\$213.428000	\$309.688210	\$421.346000
Corporation License Tax	48.242988	43.307000	32.716000	32.241000	91.549988	64.957000
Coal Severance Tax	10.445286	7.456000	5.939000	5.913000	17.901286	11.852000
Oil Severance Tax	14.510149	20.295000	19.429000	18.528000	34.805149	37.957000
Interest on Investments	25.869827	20.235000	22.276000	25.092000	46.104827	47.368000
Long-Range Bond Excess	46.168712	43.036000	43.828000	44.452000	89.204712	88.280000
Coal Trust Interest Income	44.830283	40.773000	44.045000	45.433000	85.603283	89.478000
Insurance Premiums Tax	19.446368	18.746000	18.518000	17.885000	38.192368	36.403000
Public Institutions Reimb.	12.284668	12.205000	13.456000	13.039000	24.489668	26.495000
Liquor Profits	3.500000	8.018000	4.363000	4.302000	11.518000	8.665000
Liquor Excise Tax	5.428076	5.500000	5.710000	5.691000	10.928076	11.401000
Inheritance Tax	9.049129	9.391000	9.704000	9.969000	18.440129	19.673000
Metal Mines Tax	3.664579	4.641000	4.661000	4.460000	8.305579	9.121000
Electrical Energy Tax	4.100543	4.240000	4.239000	4.241000	8.340543	8.480000
Drivers' License Tax	0.862954	0.879000	1.571000	1.577000	1.741954	3.148000
Telephone License Tax	3.760038	3.903000	4.073000	4.209000	7.663038	8.282000
Beer License Tax	1.267950	1.264000	1.272000	1.280000	2.531950	2.552000
Natural Gas Severance Tax	1.057277	1.438000	1.634000	1.816000	2.495277	3.450000
Freight Line Tax	1.166312	1.298000	1.197000	1.193000	2.464312	2.390000
Wine Tax	0.832453	0.806000	0.785000	0.766000	1.638453	1.551000
Video Gaming Income Tax	5.302840	6.304000	6.969000	7.517000	11.606840	14.486000
Motor Vehicle Account	6.207916	6.672000	7.882000	8.056000	12.879916	15.938000
Vehicle Fees	2.661686	2.667000	2.710000	2.781000	5.328686	5.491000
Public Contractor's Tax	1.118458	1.044000	1.070000	1.067000	2.162458	2.137000
Other Revenue Sources	16.740072	16.996000	21.683000	22.237000	33.736072	43.920000
Grand Total	\$447.961774	\$431.359000	\$487.648000	\$497.173000	\$879.320774	\$984.821000

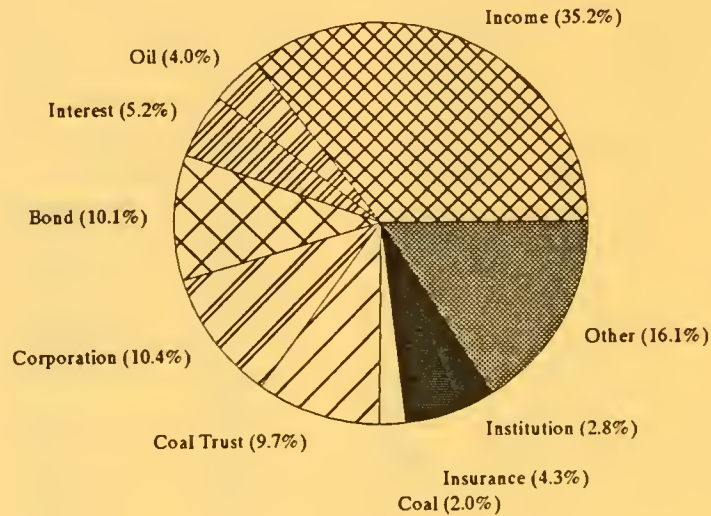
GENERAL FUND REVENUE

Total Collections

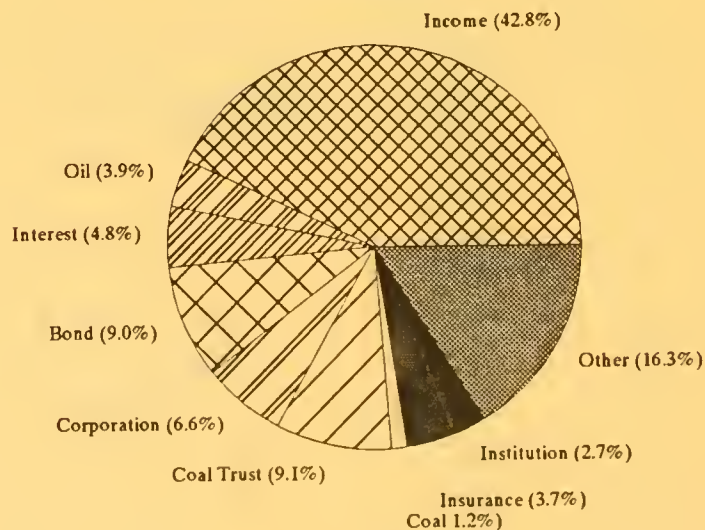


GENERAL FUND REVENUES BY COMPONENT

General Fund Revenue Analysis *Contribution By Major Component FY 90-91*



General Fund Revenue Analysis *Contribution By Major Component FY 92-93*



GENERAL FUND REVENUES BY COMPONENT

Individual Income Tax

Individual or personal income tax is the largest single source of revenue to the general fund. This tax was first enacted in 1933 and has been amended many times since then.

The tax is levied against taxable income, which is defined as Montana personal income adjusted for exemptions and deductions. The marginal tax rates range from 2 percent to 11 percent, with the size of the tax brackets and the values of the personal exemption and standard deduction fully indexed for inflation. Once tax liability is determined, the amount of tax due is computed by subtracting allowable credits.

The income tax forecasts for the 1993 biennium are based on slow growth in wage and salary income and employment. With national economic conditions weakening, Montana's economic growth is also expected to remain slow, primarily due to recessionary pressures and the continuing shift in employment from basic industries to the service sectors. Additional factors that affect receipts include credits, exemptions, indexation and audit efforts by the Department of Revenue. Projections for fiscal years 1991 through 1993 are based on inflation rates of 5.7, 4.0, and 4.6 percent, respectively, and the continuation of all statutory credits and exemptions. The projections also include audit collections of \$13.5 million for fiscal 1992 and \$14.6 million for fiscal 1993.

A 10 percent surtax was imposed for tax years 1987 and 1988, and a 5 percent surtax for tax year 1990. The Governor vetoed a bill passed by the 1991 legislature that would have imposed a 5 percent surtax for tax years 1991 and beyond.

The reform of federal tax laws in 1986 continues to have significant positive impacts on state income tax revenues.

The Federal Tax Reform Act of 1986: 1) broadened the federal tax base by eliminating capital gains exclusions, phasing out interest deductions, and tying medical and miscellaneous deductions to income levels; 2) increased and indexed personal exemptions and standard deductions; and 3) lowered rates on taxable income. The net effect of the 1986 Tax Reform Act was to slow the growth in federal tax liability. The act has a positive effect on Montana's tax revenues. First, because Montana's definitions of income and deductions are tied to the federal definitions, the federal change broadened Montana's tax base. Second, because of reduced federal tax liability (reducing the deductions claimed for federal tax paid), state taxable income grew.

The LFA estimates that the 1986 Federal Tax Reform Act has increased Montana state income tax revenues by \$135.5 million. The largest impact of the act was in fiscal 1989 and 1990, as the final phase-out of deductions occurred and as capital gains resumed its normal growth rate. The positive impact of the act on state revenue will continue in the future, although the rate of growth in state income tax collections will not be as great as it was between 1987 and 1990.

The federal Revenue Reconciliation Act of 1990 will have a small positive impact on Montana income tax revenues. Annual federal tax liability will decline in the 1993 biennium by approximately \$4.5 million, due to the reduction in the top marginal rate on capital gains and ordinary income. Those with very high incomes will experience an increase in their federal tax liability, as the marginal rates on ordinary income climb from 28 percent to 31 percent and certain exemptions and deductions are eliminated. State income tax revenue for the 1993 biennium will increase by about \$100,000 due to the 1990 act.

Senate Bill 17 passed by the 1991 legislature changed the distribution of income tax collections as shown in Table 1.

GENERAL FUND REVENUES BY COMPONENT

Table 1
Distribution of Individual Income Tax Collections

<u>Fiscal Year</u>	<u>General Fund</u>	<u>School Equalization</u>	<u>Debt Service</u>
1975-86	64.0%	25.0%	11.0%
1987-89	58.2	31.8	10.0
1990	57.0	33.2	9.8
1991	50.0	41.3	8.7
1992 and Beyond	62.8	28.5	8.7

The 1991 legislature passed three bills (House Bills 90 and 959 and Senate Bill 226) that will increase individual income taxes by an estimated \$38.9 million during the 1993 biennium. Offsetting this increase are several tax credits and deductions resulting from

legislation enacted by the 1991 legislature that will reduce income tax collections by an estimated \$1.0 million during the biennium. Table 2 shows the biennial impact of this legislation. A short description of each of these bills is also provided.

Table 2
Total Impact of Bills Passed by the 1991 Legislature
on Income Tax Collections, 1993 Biennium

HB90	Repeal of Agricultural Loan Authority	\$ 1,000
HB453	Judge's Retirement Contribution	(14,000)
HB693	Health Insurance Tax Credit	(370,000)
HB790	Elderly Care Tax Credit	(118,000)
HB894	University Contribution Credit	(200,000)
HB949	Long-term Care Deduction	(173,000)
HB959	Revised Payment Dates	11,000,000
SB226	Retirement Income Tax Exemption	27,932,000
SB359	Rural Physicians' Income Tax Credit	(105,000)
Total		\$37,953,000

House Bill 90 repeals the Montana Agricultural Loan Authority Act, which exempted interest earnings on Agricultural Loan Authority bonds from income taxation.

House Bill 453 requires employers to pay contributions of members in the Montana Judges Retirement System. Under previous law, contributions to the Judges retirement system were not tax deductible. This legislation makes such contributions deductible from taxable

income. As a result total income tax collections will be reduced by approximately \$7,000 per year.

House Bill 693 provides a maximum tax credit of \$25 per month per employee for qualified businesses which provide health care insurance for employees. An employer may claim the credit for a period not exceeding 36 consecutive months.

GENERAL FUND REVENUES BY COMPONENT

House Bill 790 revises the income tax credit for expenses associated with the care of elderly family members. The act lowers the eligible age of the qualifying elder to 65 years of age and redefines qualifying expenses to include premiums for long term health care insurance.

House Bill 894 provides an income tax credit for contributions to the general endowment funds of the Montana university system and Montana private colleges or their foundations.

House Bill 949 allows an income tax deduction for premiums paid for long-term health care insurance.

House Bill 959 requires that taxpayers who apply for an extension of time for filing an individual income tax return must pay 95 percent of the current year tax liability or 100 percent of the previous year tax liability at the time of filing. The act is effective for tax years after December 31, 1990.

Senate Bill 226 allows for a \$3,600 exemption from taxable income for all retirement income for tax years after December 31, 1990. The deduction is phased out for taxpayers with federal adjusted gross incomes which exceed \$30,000. For every 1 dollar of federal adjusted gross income in excess of \$30,000, the retirement income exemption will be reduced by 2 dollars. Previous law allowed state retirees an exemption equal to all of their retirement income. Administrative rules in the Department of Revenue in the wake of the federal court Davis decision allowed federal retirees to exempt all their retirement income. The definition of retirement income in SB 226 is expanded to include distributions from individual retirement accounts.

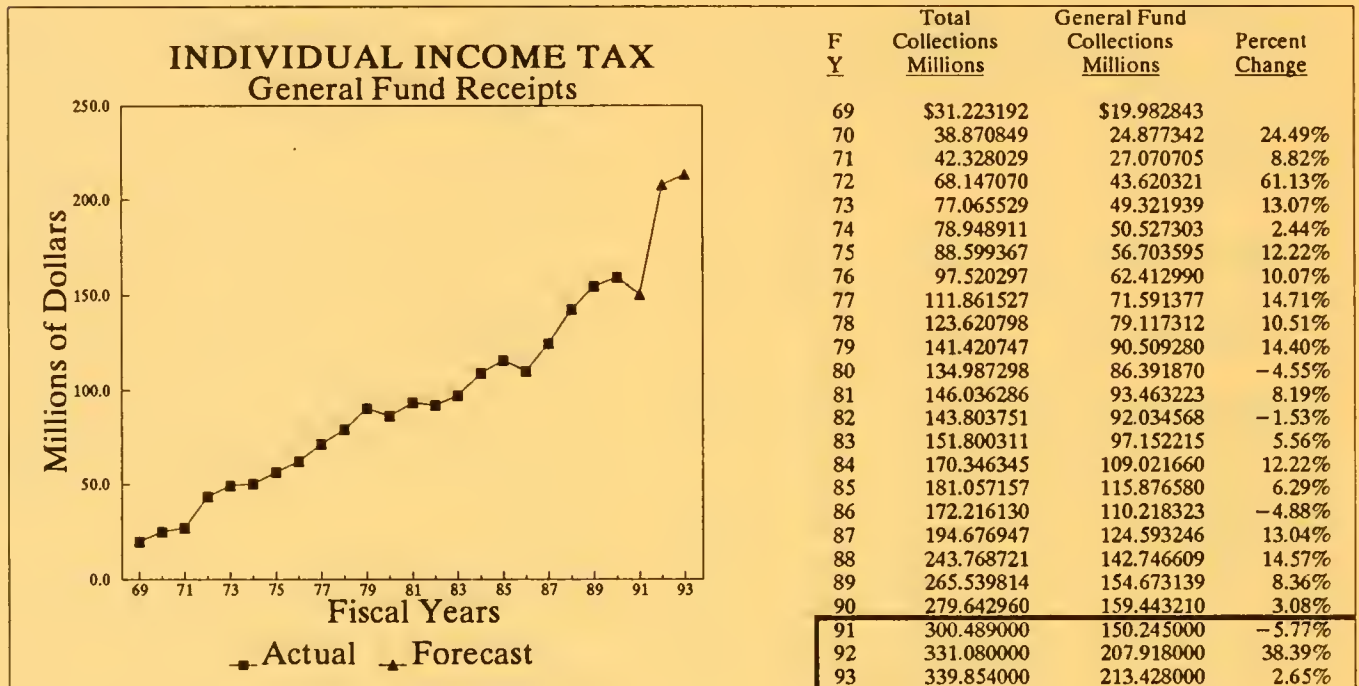
Senate Bill 226 also provided for a 2.5 percent annual increase in benefits for public employee and teacher retirement system recipients living in Montana. These increased benefits are funded through a general fund statutory appropriation. The bill's effective date is not clear on whether the benefit adjustment begins in fiscal 1991 or fiscal 1992. The estimated fiscal impact of the bill was based on a fiscal 1992 effective date. General fund expenditures in the 1991 biennium will increase by \$3.3 million if the benefit adjustment begins in fiscal 1991.

Senate Bill 359 provides an income tax credit of \$5,000 per year for physicians practicing in rural areas. The tax credit may be claimed for 4 successive years.

The estimated revenues for fiscal 1991 through fiscal 1993 are based upon the assumptions adopted in HJR 24. However, based on data through early June, it appears that income tax collections for fiscal 1991 will be approximately \$20 million less than estimated in HJR 24. While collections from withholding on wage and salary income are slightly above the estimates, there is a marked decline in payment of estimated taxed on nonwage and salary income (capital gains, interest and dividends, rents and royalties, and farm income). Because a significant portion of this estimated tax is received in late April, final information on fiscal 1991 collections from this source was not available during the 1991 legislature.

Since estimated tax collections are more volatile than wage and salary income, it is difficult to predict whether the shortfall in fiscal 1991 is a leading indicator for 1993 biennium collections.

GENERAL FUND REVENUES BY COMPONENT



GENERAL FUND REVENUES BY COMPONENT

Corporation License Tax

The corporation license tax is levied against a corporation's net income earned in Montana. The corporation income tax is imposed on corporations that, for reasons of jurisdiction, are not taxable under a license tax. The tax rate is 6.75 percent, except for corporations making a "water's edge" election (Section 15-31-322, MCA), which pay a 7 percent tax on their net income.

Eighty percent of the corporation taxes collected from financial institutions is distributed to local governments in the county in which the financial institution is located. The remaining 20 percent is allocated as shown in Table 3.

A 5 percent surtax was imposed for tax year 1990.

House Bill 56, enacted during the June 1989 special session, required corporations with annual liabilities in excess of \$5,000 to make quarterly estimated tax payments beginning in tax year 1990. Previously, tax payments were made annually.

The forecasts for fiscal 1991 through 1993 are based on slow economic growth. This assumption is premised on inflation in the range of 4.0 to 5.7 percent, short-term interest rates of about 7.5 to 8.1 percent, and oil prices at about

\$21 per barrel. Although slow economic growth is expected to increase corporation profits only modestly, the positive impact of higher oil prices increases this anticipated level of growth.

Additional factors that affect receipts include tax credits and the audit efforts by the Department of Revenue. As with individual income tax, all forecasts have been adjusted for allowable credits. The projections for audit collections are about \$8 million each year for fiscal 1991 through fiscal 1993.

Three bills passed by the 1991 legislature have an impact on corporation tax collections:

House Bill 693 provides a maximum tax credit of \$25 per month per employee for qualified businesses which provide health care insurance for employees. Total corporate tax collections are expected to decline by \$41,000 during the 1993 biennium.

House Bill 894 provides a corporation tax credit for contributions to the general endowment funds of the Montana university system or private colleges or their foundations in Montana. The fiscal impact of this change on corporation taxes is unknown.

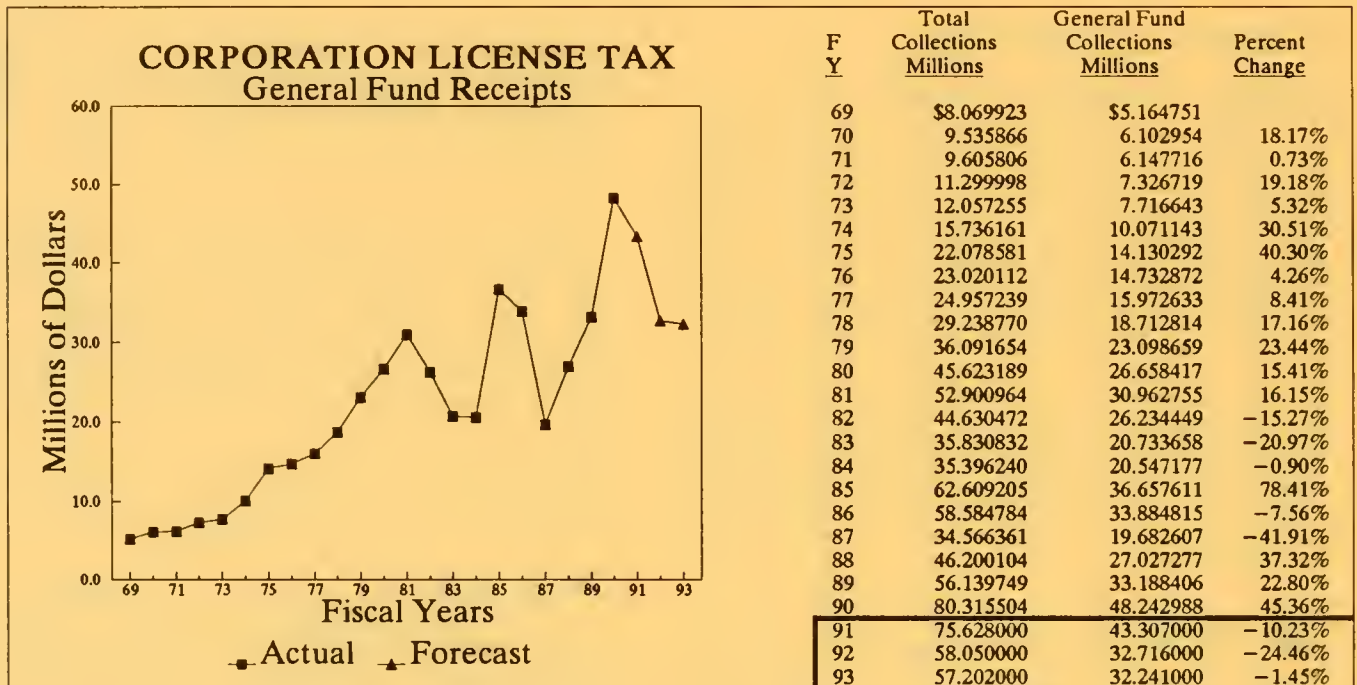
Senate Bill 17 continued the distribution of corporation tax collections established for fiscal 1991, as shown in Table 3.

Table 3
Distribution of Corporation License Tax Collections*

<u>Fiscal Year</u>	<u>General Fund</u>	<u>School Equalization</u>	<u>Debt Service</u>
1975-1990	64.0%	25.0%	11.0%
1991 and Beyond	61.0	28.5	10.5

*After distribution of financial institutions' corporation tax to counties.

GENERAL FUND REVENUES BY COMPONENT



GENERAL FUND REVENUES BY COMPONENT

Coal Severance Tax

The coal severance tax is imposed on all coal production in excess of 20,000 tons per company per calendar year. However, producers of 50,000 tons or less in any calendar year are exempt from the tax. Legislation passed by the 1987 legislature provided for a phase-down of the tax rate to 15 percent by the 1993 biennium as shown in Table 4. The law establishes a lower tax rate for coal with a heating quality of less than 7,000 BTU.

Table 4
Coal Severance Tax Rates

	<u><7,000 BTU</u>	<u>≥7,000 BTU</u>
FY 88	20%	30%
FY 89	17%	25%
FY 90	17%	25%
FY 91	13%	20%
FY 92 & after	13%	15%

The distribution of the tax has been amended many times since its enactment in 1975. The distribution during the 1991 and 1993 biennia is shown in Table 5.

Table 5
Coal Severance Tax Distribution Table

<u>Account Name</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>Fiscal 1992-1993</u>
General Fund	15.390%	15.390%	15.390%
Agriculture Act	0.760	0.760	0.760
Public School Equalization	3.800	11.400	11.400
State Library	0.380	0.380	0.380
Highway Reconstruction Trust	12.000	12.000	12.000
Conservation Districts	0.190	0.190	0.190
Alternative Energy Research	.000	.000	.000
County Land Planning	0.380	0.380	0.380
Local Impact	6.650	6.650	6.650
Renewable Resources Bond	0.475	0.475	0.475
Water Development	0.475	0.475	0.475
Permanent Trust	50.000	50.000	50.000
Park Acquisition Trust	1.900	1.900	.000
Fish, Wildlife, and Parks	.000	.000	.633
Arts Trust	.000	.000	1.267
Education Trust	<u>7.600</u>	<u>.000</u>	<u>.000</u>
Totals	100.000	100.000	100.000

Coal severance tax revenues are dependent on the contract sales price per ton of coal and the number of tons produced. Since most of Montana's coal

is sold to utilities under long-term contracts, prices are generally increased by inflation indices specified in the contracts. However, with lower

GENERAL FUND REVENUES BY COMPONENT

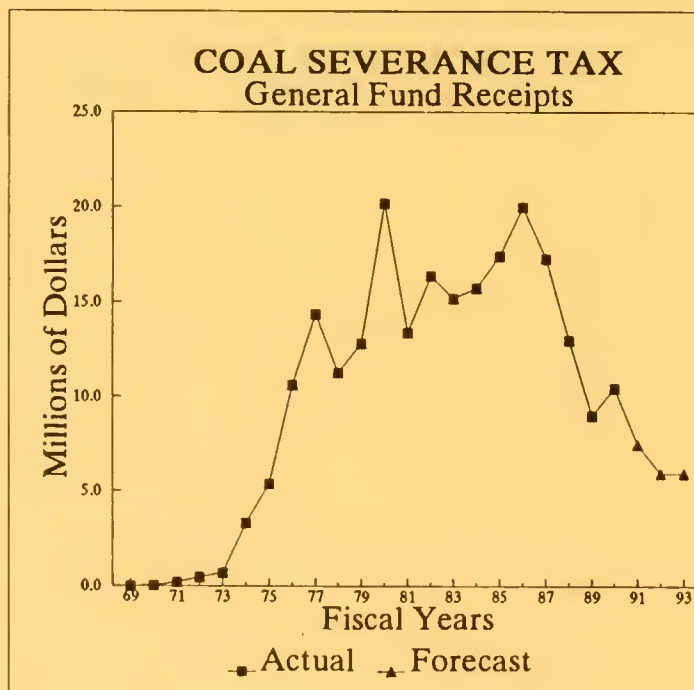
demand and competitive prices for other fuels, coal prices are expected to remain relatively constant during the forecast period. Deductions for federal, state, and tribal royalty payments from the contract sales price have been included in the price forecasts.

Production levels are influenced by the demand for electrical power and the price of other fuels such as oil and natural gas. Based on information from the major coal producers, production is anticipated to increase slightly between calendar 1991 and 1993.

The 1989 legislature extended the incentive tax credit on new and

incremental coal production to include coal produced between January 1, 1989 and June 30, 1991. Because the tax credit is claimed in the calendar year following the production year, the impact of this legislation will continue during the 1993 biennium. Total credits claimed are projected to be \$4.996 million in fiscal 1991 and \$2.449 million in fiscal 1992.

A dispute involving the state's authority to tax coal mined on Crow Indian land has been resolved in the U.S. Supreme Court in favor of the Crow Indian Tribe. Production on these lands has been excluded from the revenue forecasts.



F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
69	\$0.019106	\$0.019106	
70	0.050300	0.050300	163.27%
71	0.212056	0.212056	321.58%
72	0.483434	0.483434	127.97%
73	0.694213	0.694213	43.60%
74	3.315416	3.315416	377.58%
75	5.395415	5.395415	62.74%
76	23.964642	10.586335	96.21%
77	35.906057	14.362422	35.67%
78	34.372063	11.241695	-21.73%
79	42.689164	12.806813	13.92%
80	75.125009	20.222579	57.90%
81	70.415073	13.378906	-33.84%
82	86.186886	16.375541	22.40%
83	80.045016	15.208581	-7.13%
84	82.823427	15.736468	3.47%
85	91.748855	17.432283	10.78%
86	84.217223	20.001598	14.74%
87	76.546602	17.290794	-13.55%
88	84.638333	12.961531	-25.04%
89	58.565583	8.968746	-30.80%
90	67.870544	10.445286	16.46%
91	48.450000	7.456000	-28.62%
92	38.587000	5.939000	-20.35%
93	38.419000	5.913000	-0.44%

GENERAL FUND REVENUES BY COMPONENT

Oil Severance Tax

An oil severance tax is imposed on the production of petroleum and other mineral or crude oil in the state. The tax was first enacted in 1921 and has since undergone several modifications. The tax rate increased from 2.65 to 5 percent on April 1, 1981; to 6 percent on April 1, 1983; and decreased to 5 percent on April 1, 1985.

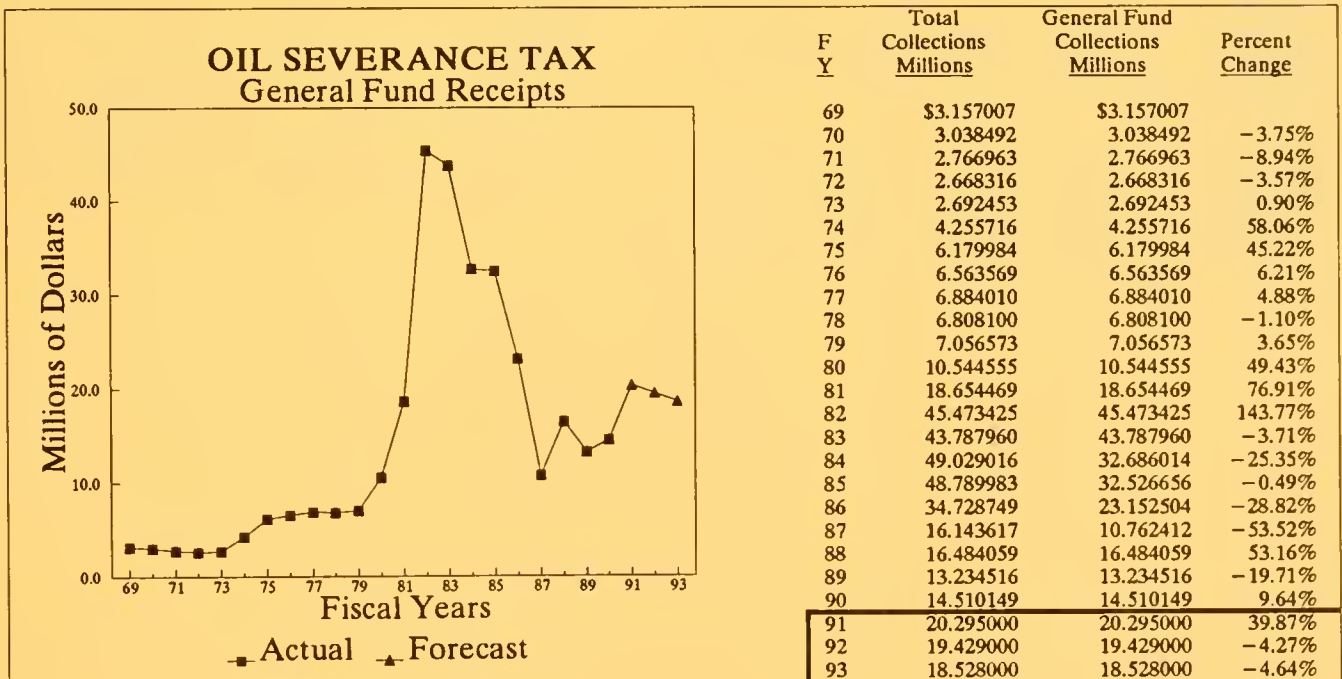
The 1987 legislature enacted several tax incentives designed to increase production. Beginning April 1, 1987, new production was exempt from the tax for the first 24 months of production, as were the first five barrels per day of production from a stripper well. The remaining production from a stripper well was taxed at 3 percent. These tax incentives were in effect until the price of oil exceeded \$25 and \$30 per barrel. These price levels were reached in August 1990, when the tax incentives were revoked by executive order.

Oil severance tax revenues are dependent on well-head prices and the number of

barrels of oil produced. World oil prices increased sharply due to the Persian Gulf conflict. During calendar 1990, world prices increased from \$18 to \$40 per barrel and then dropped to below \$30 per barrel. Prices continue to be volatile. These forecasts assume Montana oil prices will average \$21.50, \$21.60, and \$21.23 per barrel in calendar 1991 through 1993.

Taxable oil production has declined from 34.6 million barrels produced in calendar 1974 to 20.0 million barrels in calendar 1989. This decline is expected to continue in the 1993 biennium, although at a slower rate than during the 1989 and 1991 biennia.

From fiscal 1984 through 1987, one-third of oil severance tax receipts retained by the state were allocated to the local government block grant program. Since fiscal 1988, 100 percent of collections retained by the state from this tax source have been deposited in the general fund.



GENERAL FUND REVENUES BY COMPONENT

Interest on Investments

The Department of Commerce's Board of Investments is responsible for investing all state funds. Sections 17-6-201 and 17-6-211, MCA, provide guidelines under which the funds must be invested. Unless specifically stated by statute, all interest earned on these investments is deposited in the general fund account.

In the early 1980's, interest income was a major source of general fund revenue due to high interest rates and large investable balances. However, since 1982, with rates and balances lower, interest income has contributed a smaller proportion of total general fund revenues.

The sharp decline in revenues in fiscal 1986 was the result of lower interest rates, lower investable balances, and a bill that authorized interest earned on the highway gas tax account to accrue to the highway account. The June 1986 special session amended this legislation to allow earnings from the highway account to accrue to the general fund.

Beginning in fiscal 1991, interest earned on the school equalization account was retained in that account, rather than being deposited in the general fund.

Investable balances are expected to decline sharply during the 1993 biennium, due primarily to the spending down of the highway trust account during the 1993 biennium.

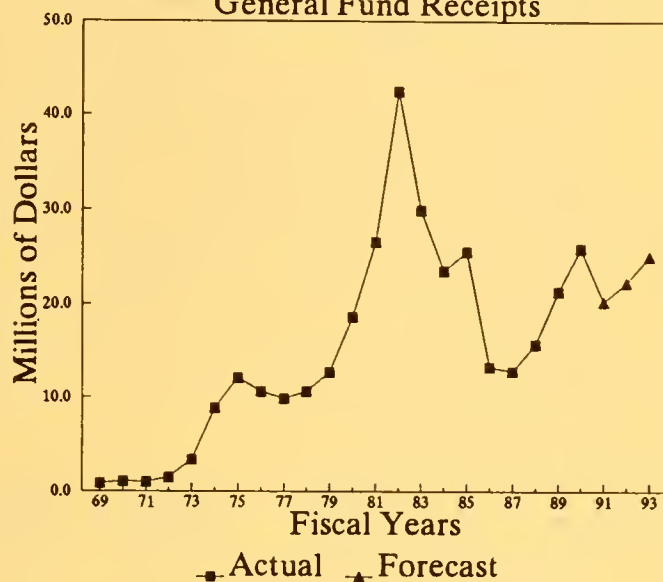
However, the legislature anticipated a short-term cash flow situation in the general fund and assumed that tax and revenue anticipation notes (TRANS) would be issued during the 1993 biennium: \$50 million in fiscal 1992 and \$90 million in fiscal 1993. Interest earnings due to TRANS are expected to increase general fund revenues by \$2.1 million for the 1993 biennium.

Interest rates are forecast to increase modestly throughout the forecast period. This assumption is based on a less restrictive monetary policy by the Federal Reserve, but continued inflationary pressures due to higher energy prices. A less restrictive monetary policy should insure that the economy does not stagnate during calendar year 1991. However, a tightening of the money supply is anticipated by calendar year 1992 in order to restrict economic expansion. These trends are consistent with the forecasts provided by Wharton Econometrics.

The 1991 legislature passed one bill which will affect earnings from investments. Senate Bill 83 requires that interest earned on hunting and fishing license fees be deposited in the state special revenue account and credited to the Department of Fish, Wildlife, and Parks. Under the previous law, the general fund received this interest. The general fund will lose approximately \$60,000 in fiscal 1993.

GENERAL FUND REVENUES BY COMPONENT

INTEREST ON INVESTMENTS
General Fund Receipts



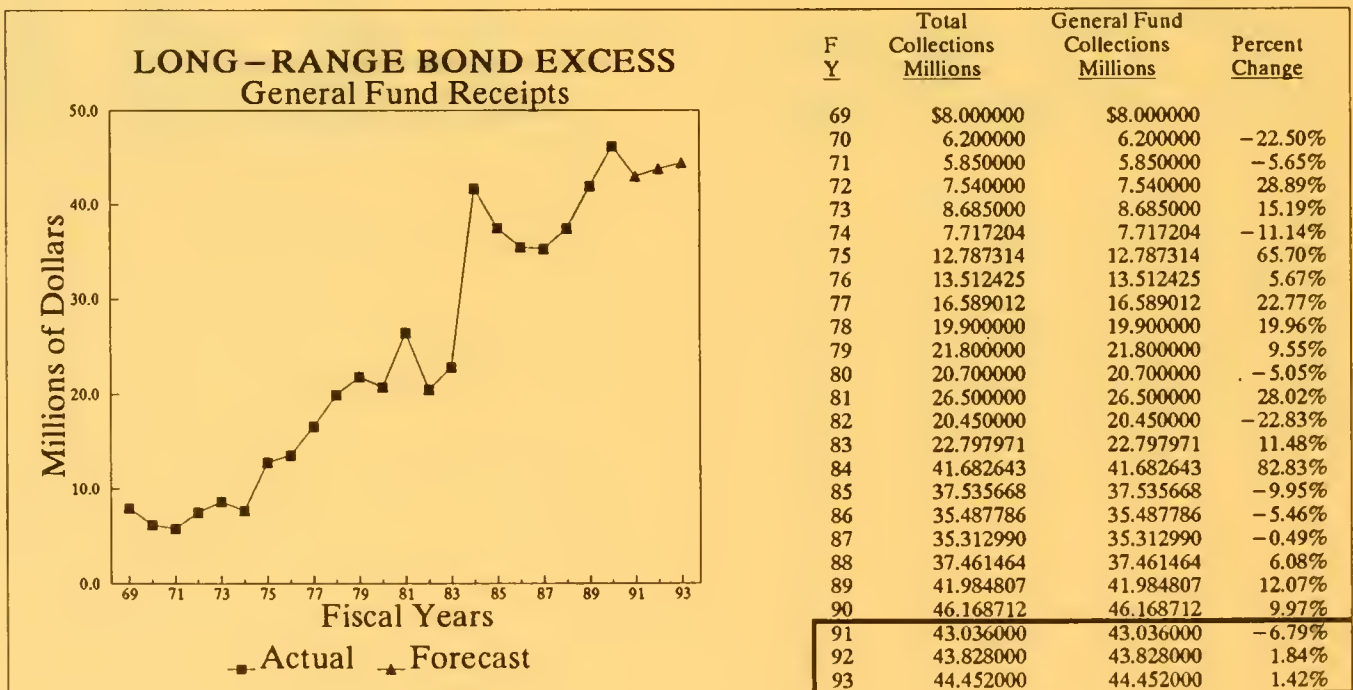
F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
69	\$0.872740	\$0.872740	
70	1.064999	1.064999	22.03%
71	1.027335	1.027335	-3.54%
72	1.507755	1.507755	46.76%
73	3.391643	3.391643	124.95%
74	8.884671	8.884671	161.96%
75	12.150937	12.150937	36.76%
76	10.607372	10.607372	-12.70%
77	9.891246	9.891246	-6.75%
78	10.663504	10.663504	7.81%
79	12.714971	12.714971	19.24%
80	18.633664	18.633664	46.55%
81	26.566775	26.566775	42.57%
82	42.442554	42.442554	59.76%
83	29.918421	29.918421	-29.51%
84	23.527514	23.527514	-21.36%
85	25.527889	25.527889	8.50%
86	13.285291	13.285291	-47.96%
87	12.826674	12.826674	-3.45%
88	15.731943	15.731943	22.65%
89	21.313825	21.313825	35.48%
90	25.869827	25.869827	21.38%
91	20.235000	20.235000	-21.78%
92	22.276000	22.276000	10.09%
93	25.092000	25.092000	12.64%

GENERAL FUND REVENUES BY COMPONENT

Long-Range Bond Excess

Each biennium all agencies are requested to submit proposals for capital projects to be funded from the sale of long-range building bonds. If the legislature authorizes the sale, the principal and interest charges are paid from the long-range building debt service account. Revenues deposited to this account include portions of the individual income tax and corporation license tax and cigarette and tobacco taxes. When the amount of money in the debt service account exceeds the annual principal and interest payments, the excess is transferred to the general fund.

Historically, revenues from this source were estimated by adding anticipated receipts from the earmarked tax sources and subtracting the necessary principal and interest payments. However, in fiscal 1984, the Department of Administration began transferring all debt service revenues to the general fund. A general fund statutory appropriation was established to transfer the necessary principal and interest payments back to the debt service account. These accounting transactions had zero impact on the general fund account balance. It is assumed that the Department of Administration will continue these accounting procedures throughout the forecast period.



GENERAL FUND REVENUES BY COMPONENT

Coal Trust Fund Interest

Article IX, Section 5, of the Montana Constitution requires the Department of Revenue to deposit 50 percent of the coal severance tax receipts to the permanent trust fund. The principal cannot be spent unless three-fourths of the members of each house vote for its appropriation. The interest earned on the fund is available for appropriation. Interest earned on the fund is deposited in a non-expendable trust account and reinvested until appropriated.

In 1982, voters approved Initiative 95, which requires one-fourth of all deposits to the permanent trust fund be invested in the Montana economy. Since some of these investments pay a lower interest rate, this initiative has caused investment income earned on the trust to grow at a slower rate. However, this policy is designed to stimulate economic development, enhancing individual and corporate income tax collections.

The Forty-eighth Legislature enacted legislation authorizing the sale of coal severance tax bonds for financing specific water resource development projects, secured by the flow of revenue into the permanent trust. Debt service on these bonds is retired primarily with pledged project and coal severance tax revenues. This requirement will reduce permanent trust fund interest earnings by about \$500,000 in each of the fiscal years 1991 through 1993.

Total permanent trust interest income is projected to increase over the forecast period. Balances available for investment are expected to increase because of additional coal severance tax receipts being deposited to the permanent trust fund. Long-term interest rates are estimated to gradually increase throughout the forecast period.

Several bills passed by the 1991 legislature will reduce the interest earned from this trust during the 1993 biennium:

House Bill 454 passed by the 1991 legislature clarifies that interest earned on the trust will be allocated 85 percent to the general fund and 15 percent to the school equalization account.

House Bill 477 establishes a microbusiness development program by creating a microbusiness development account in the state special revenue fund. The act appropriates \$3.25 million from the in-state investment fund for this program's investment. Interest earning losses will be an estimated \$208,000 in the 1993 biennium. Of this, \$177,000 will be general fund.

Senate Bill 105 changes the matching ratio and extends the date of the appropriation of interest from the coal severance tax permanent fund to be used for medical research facility projects in Montana. This will allow the entire \$2 million appropriated by the 1989 legislature to be granted to the McLaughlin Institute in Great Falls. The cost of this bill during the 1993 biennium will be \$750,000.

Senate Bill 242 allows the Montana Science and Technology Alliance up to \$5.1 million from the in-state investment fund in research and development loans. Estimated loss of interest earning will be \$542,000 during the 1993 biennium, of which \$461,000 will be general fund.

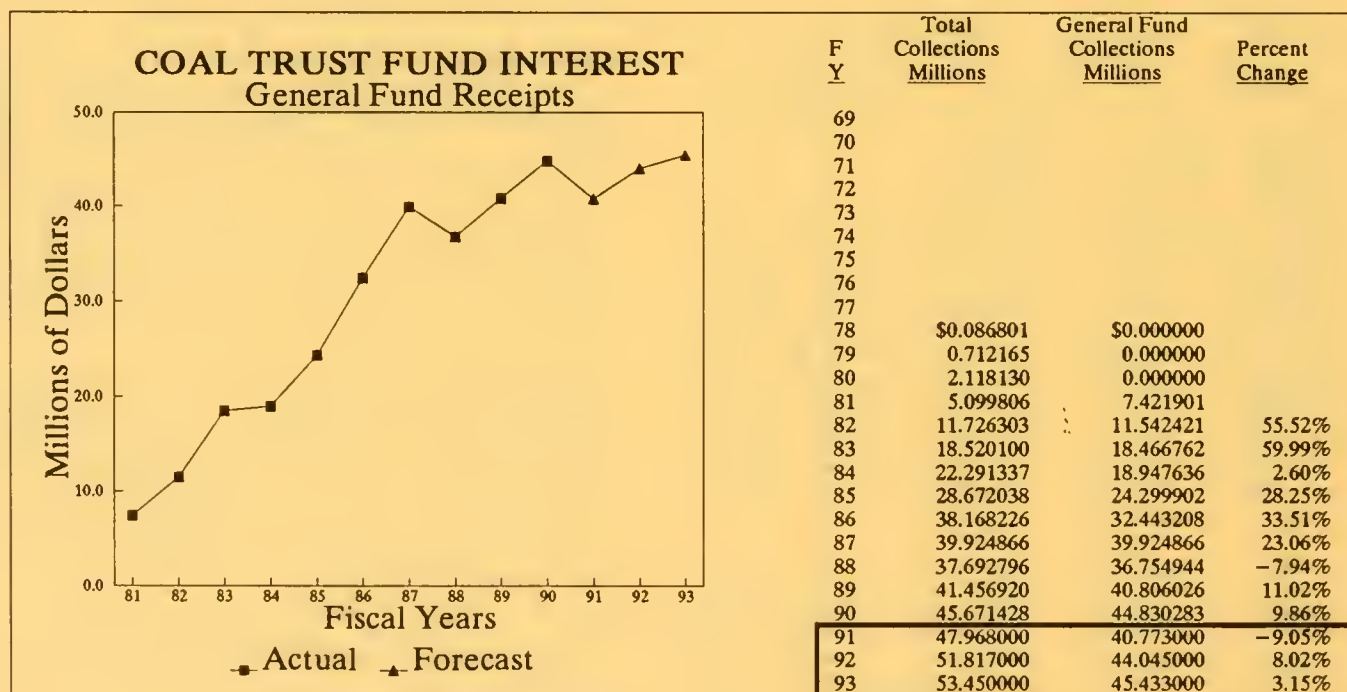
The following table details the distribution of interest earned on the permanent trust in recent years.

GENERAL FUND REVENUES BY COMPONENT

Table 6
Distribution of Coal Trust Fund Interest

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Permanent Trust</u>	<u>School Equalization</u>
1984-86	85.0%	15.0%	0.0%
1987	100.0	0.0	0.0
1988-89	98.0	2.0	0.0
1990	100.0*	0.0	0.0
1991 and Beyond	85.0	0.0	15.0

*\$2.0 million of interest was appropriated for medical research facilities, if matching federal funds became available.



GENERAL FUND REVENUES BY COMPONENT

Insurance Premiums Tax

The insurance premiums tax is levied on the net premiums or gross underwriting profit for each insurance company operating in Montana. The tax was first enacted in 1897 and has been amended several times since then. The current tax rate is 2.75 percent of net premiums on policies sold in Montana. Receipts from the tax are distributed to the police and firemen pension funds, with the remainder going to the general fund. In addition to the premiums tax, the State Auditor collects a number of insurance license and fee revenues, which are also deposited in the general fund.

Bills passed during the 1985 and 1989 sessions increased the state's contribution to police and firemen's pension funds, reducing the amount of insurance tax deposited in the general fund.

The 1987 legislature accelerated insurance premium payments from an annual to a quarterly reporting period. An additional \$11.9 million was deposited in the general fund in fiscal 1988 as a result of this acceleration.

Collections from this revenue source are expected to decline during the 1993 biennium for two reasons. First, the value of premiums sold increased only 1 percent in fiscal 1990. Industry representatives expect this trend to continue during the 1993 biennium. Second, insurers will claim over \$10 million in credits during the biennium, due to the insolvency of the Life of Montana Insurance Company. Under current law, all insurers are assessed a portion of the insolvency of defaulting insurance companies. Insurers can then claim a credit on their premium tax return equal to 20 percent of the assessment over a five-year period. This credit reduces general fund revenues. In early 1988, Life of Montana was declared to have an insolvency of approximately \$36 million. Insurers began claiming credits for their portion of the assessment in fiscal 1990 and are anticipated to continue claiming credits through fiscal

1998. The total cost to the general fund over the eight-year period will be \$36 million.

The 1989 legislature imposed the insurance premium tax on the workers' compensation insurance sold by the State Fund, provided the Department of Labor and Industry established an assigned risk plan by January 1, 1990. This amendment was anticipated to increase insurance premium taxes by \$6.4 million during the 1991 biennium. Under an assigned risk plan, the State Fund would no longer be the "insurer of last resort". If an employer was unable to secure coverage from the State Fund and at least two private insurers, the Commissioner of Labor would "assign" an insurer to provide coverage. The State Fund and all private insurers would be required to participate in the assigned risk plan. In September, the Commissioner decided not to create an assigned risk plan, concluding that it may have a "negative impact" on the availability and competitiveness of workers' compensation coverage and premium rates. As a result of this decision, State Fund premiums are not subject to the insurance premium tax.

Two bills passed by the 1991 legislature increased the revenue that will be collected from insurance taxes and fees.

House Bill 696 extends the funding for the statewide genetics program for another two years. The act also increases the fee on health insurers from 45 cents to 70 cents for each Montana resident insured under a health insurance policy. General fund revenues are expected to increase by \$1,070,000 during the 1993 biennium. The bill appropriates these anticipated revenues to the Department of Health and Environmental Sciences.

House Bill 809 increases the tax on fire insurance premiums for the maintenance of state fire prevention and investigation activities. The fire insurance premium tax increases from 3/4 of 1 percent to 1 percent. General fund revenues are expected to increase by \$323,000 during the 1993 biennium as a result of the tax increase. In House Bill 2, the budget of the Fire

GENERAL FUND REVENUES BY COMPONENT

Marshall's Bureau was increased by a like amount.

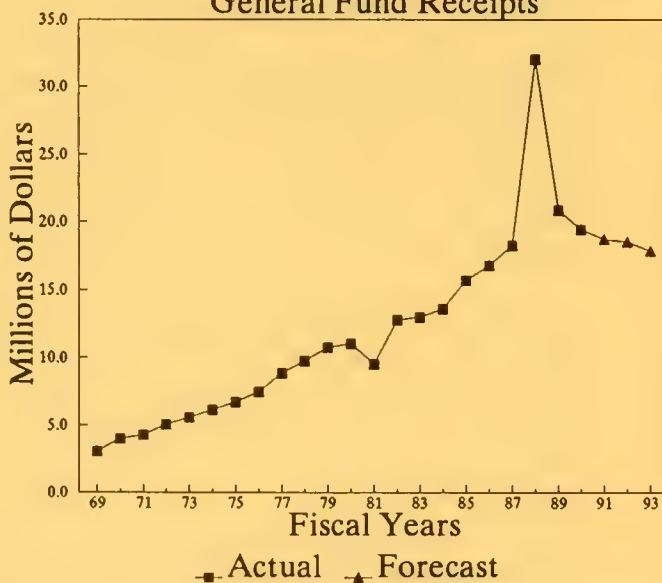
Three bills passed during the 1991 session revised retirement system laws, reducing general fund revenue by an estimated \$315,000 during the biennium.

House Bill 595 requires that the state increase the contribution rate from 15.03 percent to 15.66 percent for the Municipal Police Officers' Retirement System. The estimated cost to the general fund is \$138,000 during the 1993 biennium.

House Bill 760 increases the state contribution to members of the Firefighters' Unified Retirement System from 22.98 to 23.27 percent beginning July 1, 1991. General fund revenues will be reduced by an estimated \$64,000 during the 1993 biennium.

House Bill 830 changes the base year for the calculation of supplemental benefits for retired police officers from the previous year to the current year. The estimated cost to the general fund will be \$99,000 in fiscal 1992 and \$104,000 in fiscal 1993.

**INSURANCE PREMIUMS TAX
General Fund Receipts**



F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
69	\$3.822617	\$3.080786	
70	4.931700	4.003699	29.96%
71	5.383425	4.333425	8.24%
72	6.115751	5.065751	16.90%
73	6.812473	5.612473	10.79%
74	7.366923	6.166923	9.88%
75	8.323217	6.723217	9.02%
76	9.101597	7.496699	11.50%
77	10.766727	8.885923	18.53%
78	12.106652	9.787436	10.15%
79	13.748226	10.748226	9.82%
80	14.492757	11.031794	2.64%
81	15.254036	9.551061	-13.42%
82	16.054771	12.790003	33.91%
83	17.011494	13.011479	1.73%
84	18.772261	13.621332	4.69%
85	20.003012	15.691565	15.20%
86	22.484437	16.780399	6.94%
87	23.910034	18.245085	8.73%
88	38.342221	32.047077	75.65%
89	26.843695	20.882814	-34.84%
90	27.350881	19.446368	-6.88%
91	28.190000	18.746000	-3.60%
92	29.220000	18.518000	-1.22%
93	29.755000	17.885000	-3.42%

GENERAL FUND REVENUES BY COMPONENT

Public Institution Reimbursements

The Department of Institutions receives reimbursements for the cost of sheltering and treating residents at the Montana Developmental Center, Center for the Aged, Montana State Hospital, and the Montana Veteran's Home. There are four sources of reimbursement income: 1) state and federally matched medicaid monies; 2) insurance proceeds from companies with whom the resident is insured; 3) payments by residents or persons legally responsible for them; and 4) federal medicare funds.

All revenue collected from these sources is deposited in the general fund, except reimbursement received for the Veterans' Home, which are appropriated to the institution. Most of the reimbursements come from state and federally matched medicaid payments.

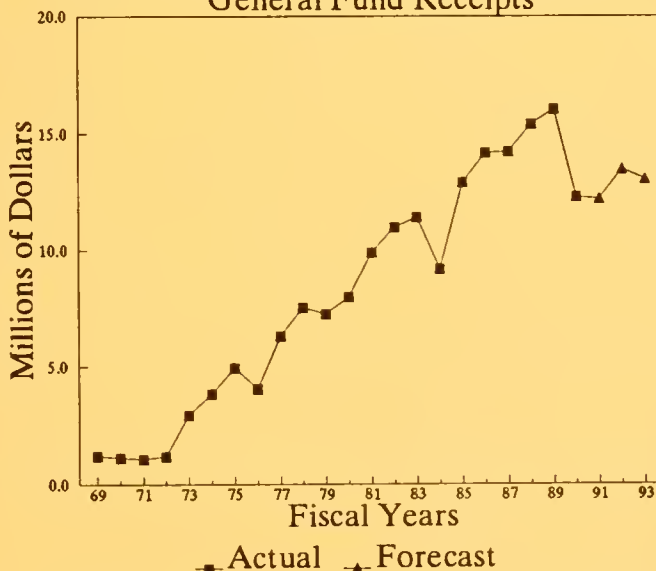
Three variables determine the level of medicaid nursing home payments: 1) the number of patient days eligible for medicaid reimbursement; 2) the reimbursement rate per patient day; and 3) the private resources of medicaid patients.

Prior to fiscal 1990, the state's general fund match to federal medicaid payments was included in the Department of Social and Rehabilitation Services' budget and was received (with the federal portion) as revenue by eligible state institutions. Beginning in the 1991 biennium, the state's general fund match was determined from the documented general fund costs of caring for medicaid residents. This change in budgeting procedures reduced reimbursements to the general fund by approximately \$4.0 million annually.

The other three components of reimbursement (insurance proceeds, payments by residents, and medicare funds) are expected to increase by the rate of inflation.

House Bill 93, enacted by the 1991 session, will generate an additional \$214,000 in reimbursements at the three state-operated nursing facilities (Galen, Center for the Aged, and the Montana Veteran's Home) during the 1993 biennium.

INSTITUTION REIMBURSEMENTS
General Fund Receipts



Fiscal Year	Total Collections Millions	General Fund Collections Millions	Percent Change
69	\$1.216546	\$1.216546	
70	1.146193	1.146193	-5.78%
71	1.069182	1.069182	-6.72%
72	1.184218	1.184218	10.76%
73	2.945826	2.945826	148.76%
74	3.838150	3.838150	30.29%
75	4.964138	4.964138	29.34%
76	4.054219	4.054219	-18.33%
77	6.324501	6.324501	56.00%
78	7.532377	7.532377	19.10%
79	7.264924	7.264924	-3.55%
80	7.981975	7.981975	9.87%
81	9.899562	9.899562	24.02%
82	10.974196	10.974196	10.86%
83	11.406505	11.406505	3.94%
84	9.179921	9.179921	-19.52%
85	12.895427	12.895427	40.47%
86	14.166104	14.166104	9.85%
87	14.215767	14.215767	0.35%
88	15.395310	15.395310	8.30%
89	16.031423	16.031423	4.13%
90	12.284668	12.284668	-23.37%
91	12.205000	12.205000	-0.65%
92	13.456000	13.456000	10.25%
93	13.039000	13.039000	-3.10%

GENERAL FUND REVENUES BY COMPONENT

Liquor Profits and Excise Tax

The Department of Revenue is authorized to sell liquor and wines to the public and retail liquor establishments throughout the state. These sales result in profits and taxes which are deposited in various state and local accounts.

Prices established by the department include a standard mark-up, a 16 percent excise tax, and a 10 percent license tax. The excise tax is deposited in the general fund. The license tax is distributed to the Department of Institutions and to cities, towns, and counties for alcohol treatment and rehabilitation programs.

Liquor sales for fiscal 1991 through 1993 are expected to decline from the fiscal 1990 level. There appears to be a national trend toward moderation in liquor consumption, due in part to an aging population, more emphasis on drug and alcohol education in our schools, and the increased enforcement of DUI laws.

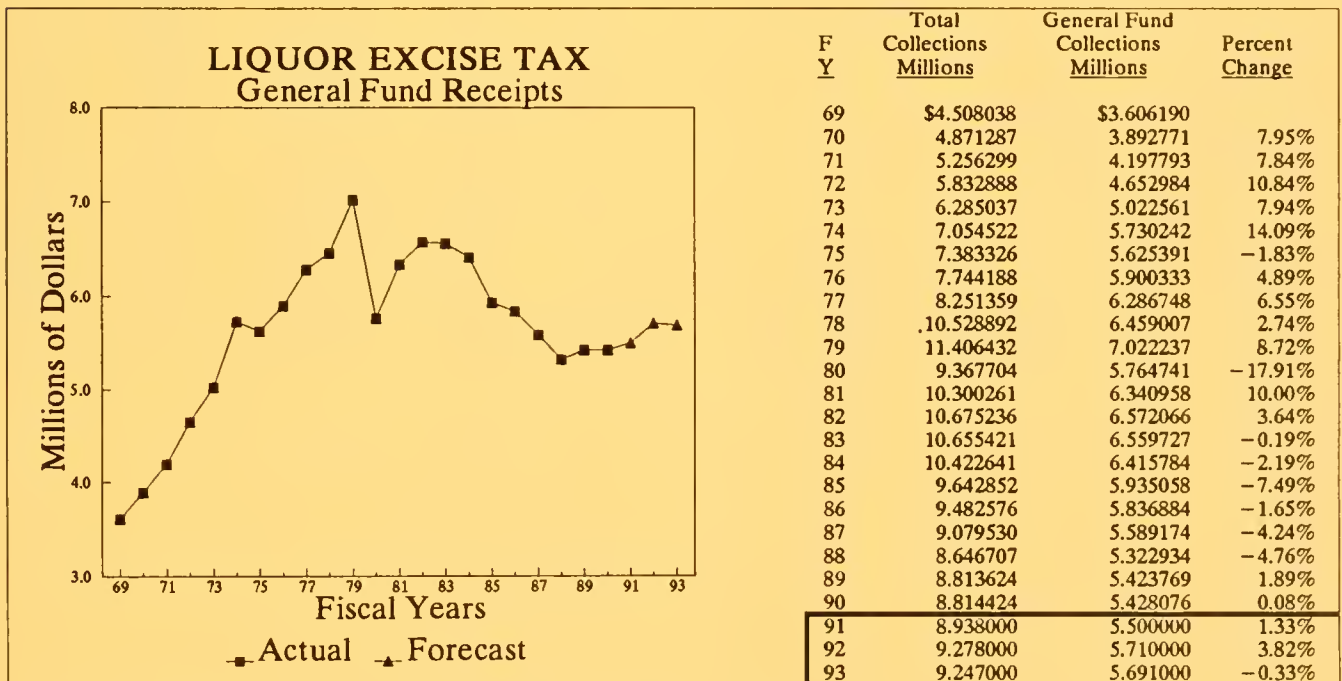
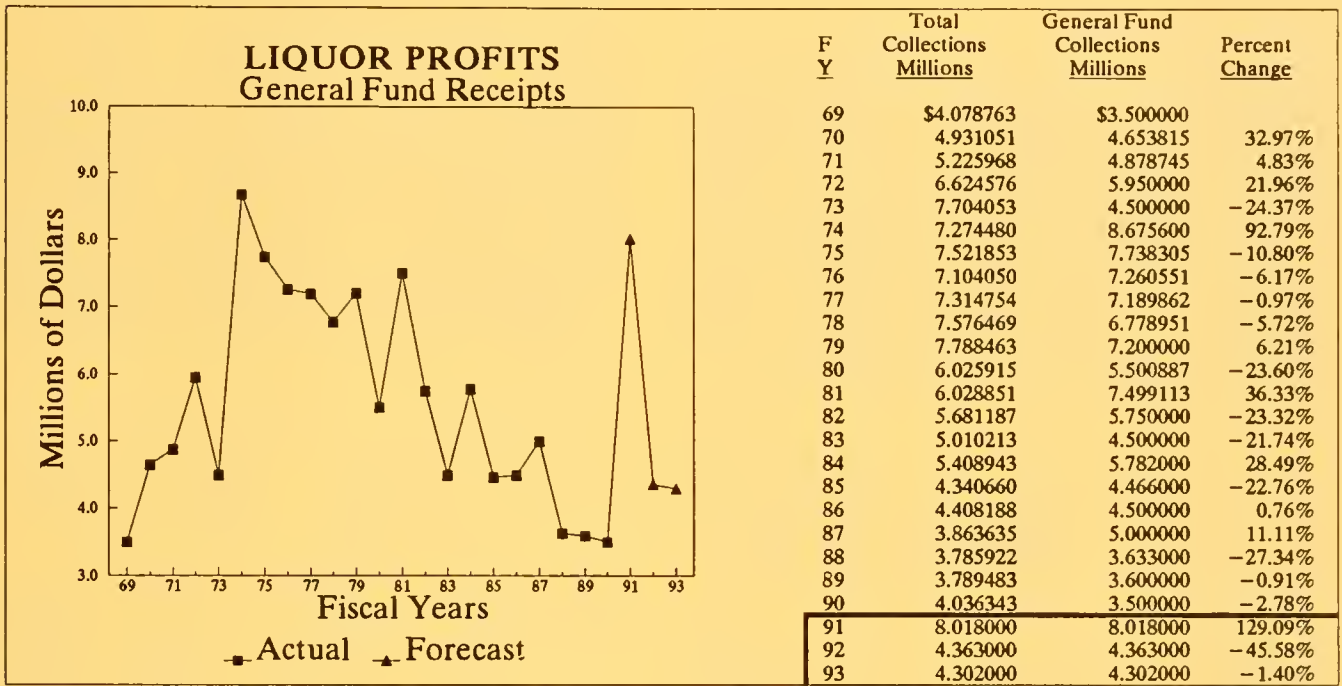
The deficit reduction package passed by Congress in November 1990 increased the federal tax on alcohol by 8 percent.

This change will increase Montana's total liquor sales revenues, translating into larger profits and higher excise taxes despite declining consumption. The 1993 biennium forecasts for liquor profits and excise taxes assume no further changes in federal laws.

Operating expenses of the Department of Revenue Liquor Division affect the transfer of liquor profits to the general fund. It is estimated that these expenses will remain at the fiscal 1990 level of \$6.2 million.

The increased profits in fiscal 1984, fiscal 1987, and fiscal 1991 are attributable to a reduction in the inventory of goods of the liquor division. In fiscal 1990, the department began a "bailment" program, in which private vendors own the liquor and wine stocked in the state warehouse. The product becomes state property once it is loaded on a truck for shipment to a store. The department pays vendors for product purchases every three weeks. Previously, the department purchased stock from liquor vendors and then stored it in the warehouse. The department estimates that the bailment program will result in one-time general fund revenue of \$4 million in fiscal 1991.

GENERAL FUND REVENUES BY COMPONENT

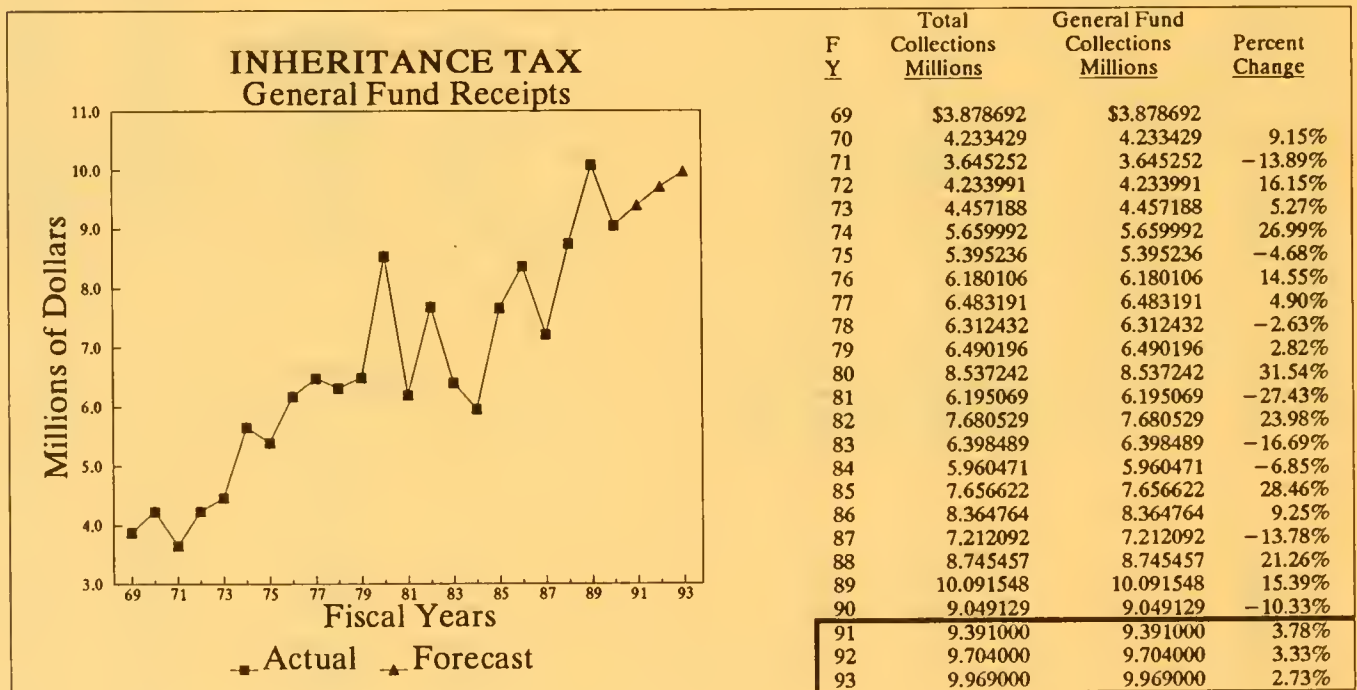


GENERAL FUND REVENUES BY COMPONENT

Inheritance Tax

The inheritance tax is imposed on the transfer of any decedent's property, interest in property, or income from property within the state to any other person or corporation except a surviving spouse, or governmental or charitable organization. The tax rate varies from 0 to 32 percent depending on the size of the estate and the relationship of the decedent to the beneficiary. All revenue collected from the inheritance tax is deposited in the general fund.

Since 1980, revenues from inheritance taxes have fluctuated because of federal and state law changes, accounting procedures, and the processing of several large estates. The forecasts for fiscal 1991 through 1993 are based on the underlying trend in revenues since 1969. Even with all federal and state law changes that have been implemented, on the average, annual revenues continue to grow between 2 and 3 percent. This trend is expected to continue throughout the forecast period.



GENERAL FUND REVENUES BY COMPONENT

Metal Mines Tax

The metalliferous mines license tax is imposed on the production of metals, gems or stones in the state. The tax rate is applied to the gross value of the product, which is defined as the market value of the commodity multiplied by the quantity produced.

For tax years beginning after December 31, 1988, the tax rate is as follows:

For concentrates shipped to a smelter, mill, or reduction work:

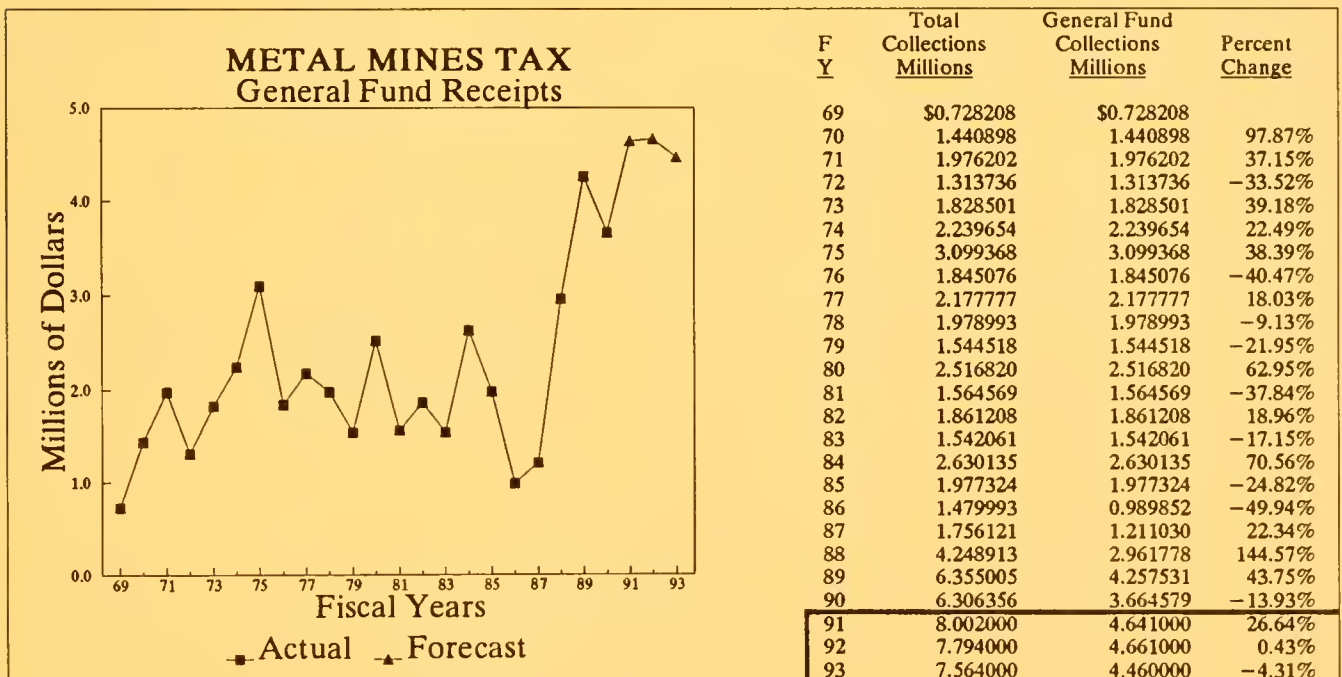
<u>Gross Value</u>	<u>Rate</u>
\$0-\$250,000	Exempt
\$250,001 and Above	1.8%

For gold, silver, or any platinum group metal that is dore, bullion, or matte and that is shipped to a refinery:

<u>Gross Value</u>	<u>Rate</u>
\$0-\$250,000	Exempt
\$250,001 and Above	1.6%

Historically, the metal mines tax has been deposited in the general fund. Beginning in fiscal 1986, one-third of the receipts were deposited in a hard-rock mining trust account. The distribution for collections for tax years beginning after December 31, 1988 is: 1) 58 percent to the general fund; 2) 1.5 percent to the hard-rock mining impact trust account; 3) 15.5 percent to the resource indemnity trust fund; and 4) 25 percent to the county in which the mine is located.

Metal prices, metal production, and the effective tax rate are the major factors that determine the level of metal mines' tax receipts. Prices for gold, silver, copper, lead, zinc, molybdenum, palladium, and platinum are expected to remain relatively constant during the forecast period. Based on information from the major metal producers in the state, production levels for these minerals are expected to increase slightly throughout the forecast period.



GENERAL FUND REVENUES BY COMPONENT

Electrical Energy Tax

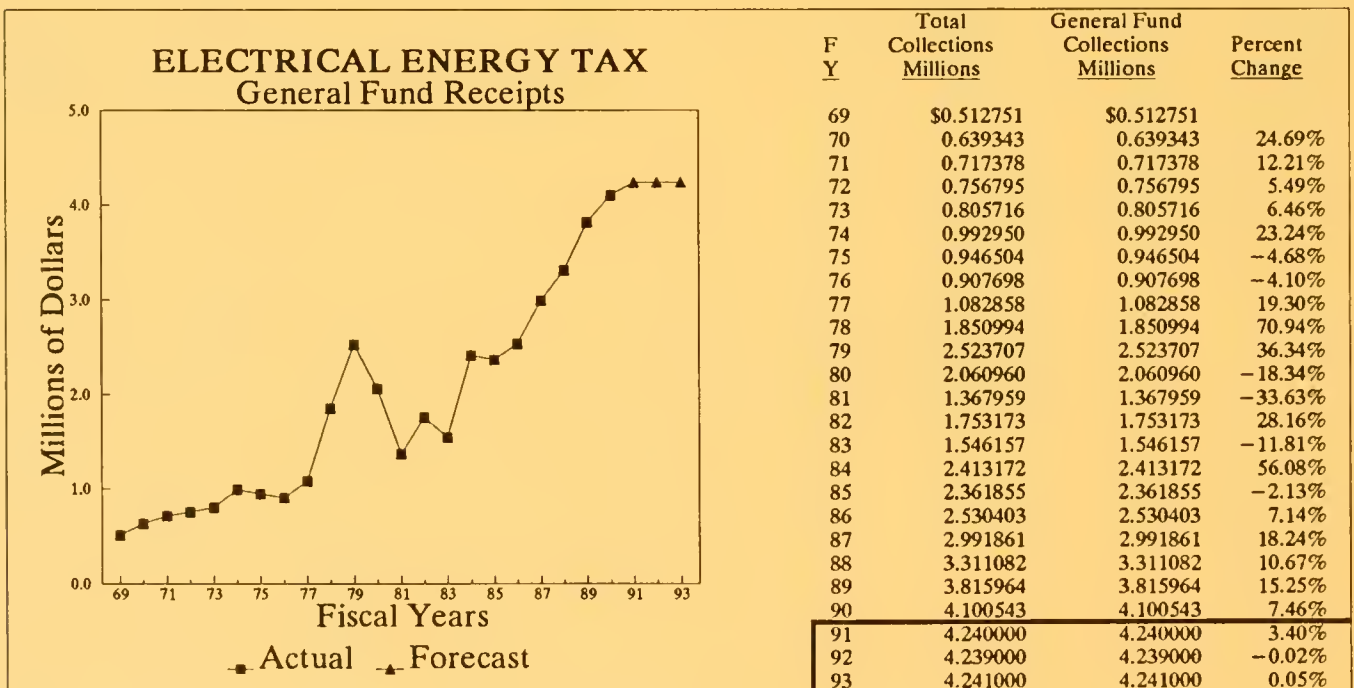
The electrical energy tax is imposed on each person or organization engaged in generating, manufacturing, or producing electrical energy in Montana. The tax of \$.0002 per kilowatt-hour is levied against all electrical energy produced within the state. A deduction is allowed for "actual and necessary" energy used by the plant for the production of the energy. All receipts are deposited in the general fund.

Total electricity production in Montana is projected to increase from fiscal 1990 levels through 1993. Beginning in 1991, the rate of growth is expected to slow. These assumptions are based on

production estimates supplied by the major producers.

Although Colstrip Unit 3 had mechanical problems during calendar year 1990, these problems have been resolved and the plant is expected to operate at or near capacity during the 1993 biennium.

Electrical energy taxes may be reduced by an interest differential credit claimed by the producers. This credit is determined by the difference between the actual interest received on energy conservation loans and the average interest rate for home improvement loans. These credits are expected to reduce revenues by approximately \$295,000 per year.



GENERAL FUND REVENUES BY COMPONENT

Drivers' License Fees

A resident of Montana must have a valid driver's license to operate a motor vehicle on any highway in the state. A driver's license is issued only if the applicant passes specified examinations and pays a fee. The fees are collected by motor vehicle division staff or county treasurers and are forwarded to the state treasurer for deposit. Forty percent of the fees collected go to the general fund, 23.33 percent to the traffic safety and education account, 33.33 percent to the highway patrol retirement account, and 3.33 percent to counties or the Department of Justice, depending on who collects the fee.

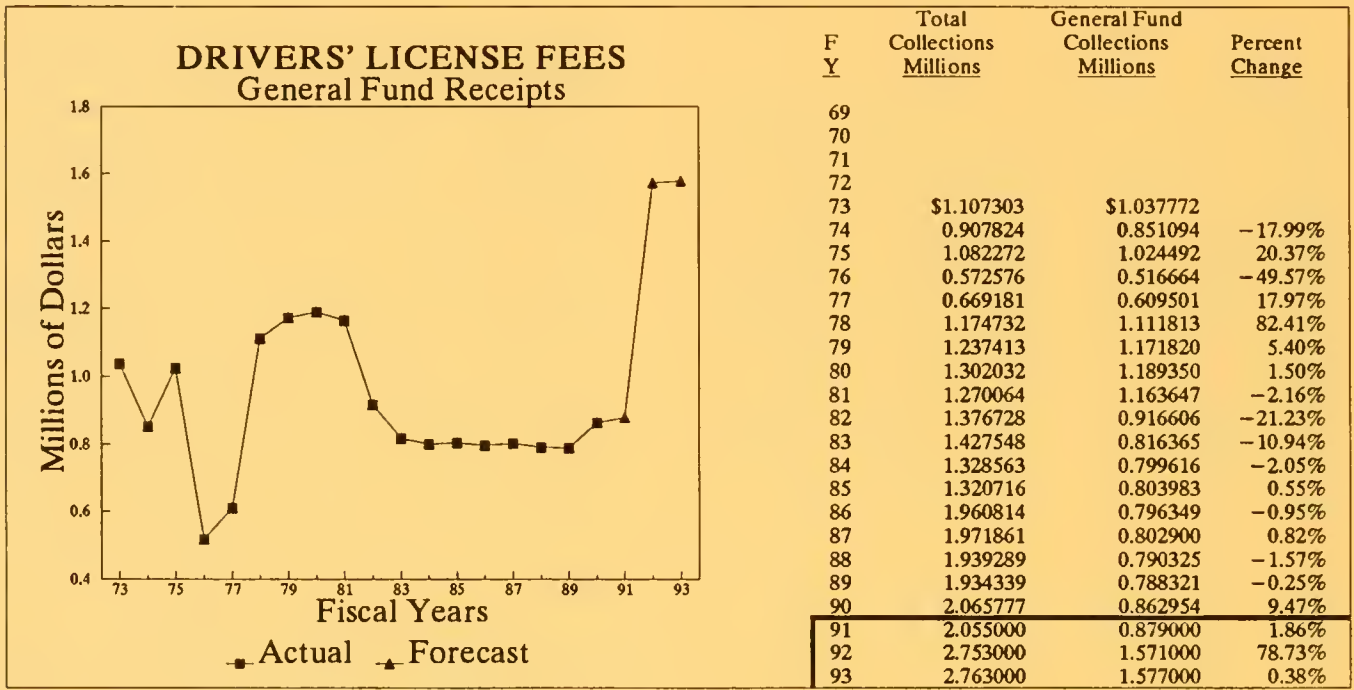
Drivers' license fees are influenced by Montana population growth in the age cohort 16 years and older. It is estimated that the number of people in this group will increase by approximately 0.5 percent per year. Based on this, growth rate receipts are expected to increase in fiscal 1992 and fiscal 1993. The increase in fiscal 1990 receipts is due to commercial vehicle operator's endorsement fees being deposited to the general fund.

Also included in this component of revenue prior to fiscal 1992 are motorcycle endorsement fees and duplicate driver's license fees.

House Bill 560 passed by the 1991 legislature credits revenue from the driver's license motorcycle endorsement fee to the motorcycle safety training account administered by the Superintendent of Public Instruction beginning in fiscal 1992. General fund revenues will decrease by an estimated \$38,000 during the 1993 biennium.

In House Bill 568, the 1991 legislature increased fees for regular driver's licenses and commercial vehicle operator endorsements. Annual regular driver's license fees will increase from \$3 per year to \$4 per year. Annual commercial vehicle operator endorsements will increase by \$2.00 per year. In addition, the bill alters the distribution of these fees, increasing the general fund allocation from 38.33 percent to 53.75 percent. The percentage to the highway patrol officer's account decreases from 38.33 percent to 25 percent. The percentage to the state traffic education decreases from 23.33 percent to 17.5 percent. General fund revenue will increase by an estimated \$1,418,000 over the 1993 biennium. These revenues are appropriated in House Bill 2 to the Department of Justice to hire 20.2 new FTE for drivers' examination express stations.

GENERAL FUND REVENUES BY COMPONENT



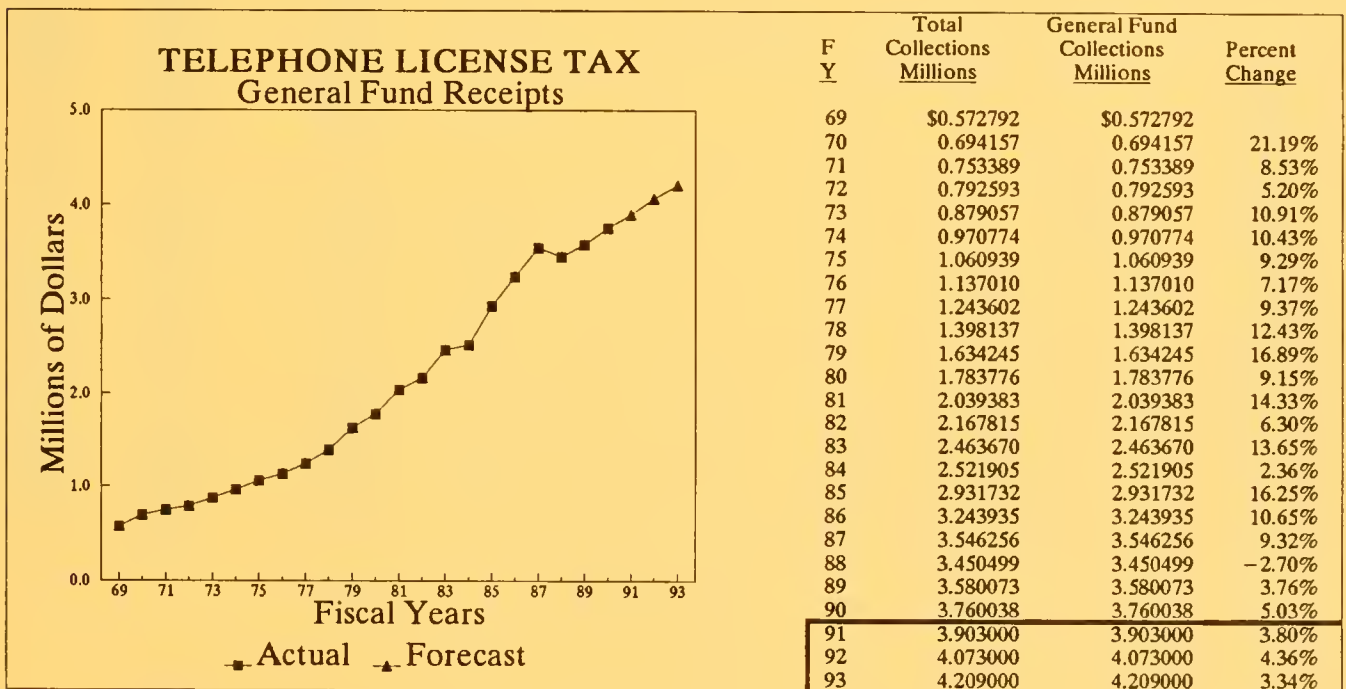
GENERAL FUND REVENUES BY COMPONENT

Telephone License Tax

The telephone company license tax is levied on the gross income earned by any telephone business within the state, including the transmission of telephone messages by line or by microwave equipment. An exemption is allowed for the first \$250 of gross income earned each quarter. The current tax rate of 1.725 percent is applied to the adjusted gross income level. All collections are deposited in the general fund.

Telephone license tax revenues are forecast using the anticipated level of telephone companies gross income. Gross income is dependent on the quantity of services provided and the price of the services offered. As the employment base of the state grows and the business economy expands, the demand for these type of services increases.

Revenue forecasts for the telephone license tax are based on slow employment growth and a slight economic expansion for businesses. These assumptions equate to approximately a 3.8 percent annual growth in gross income.



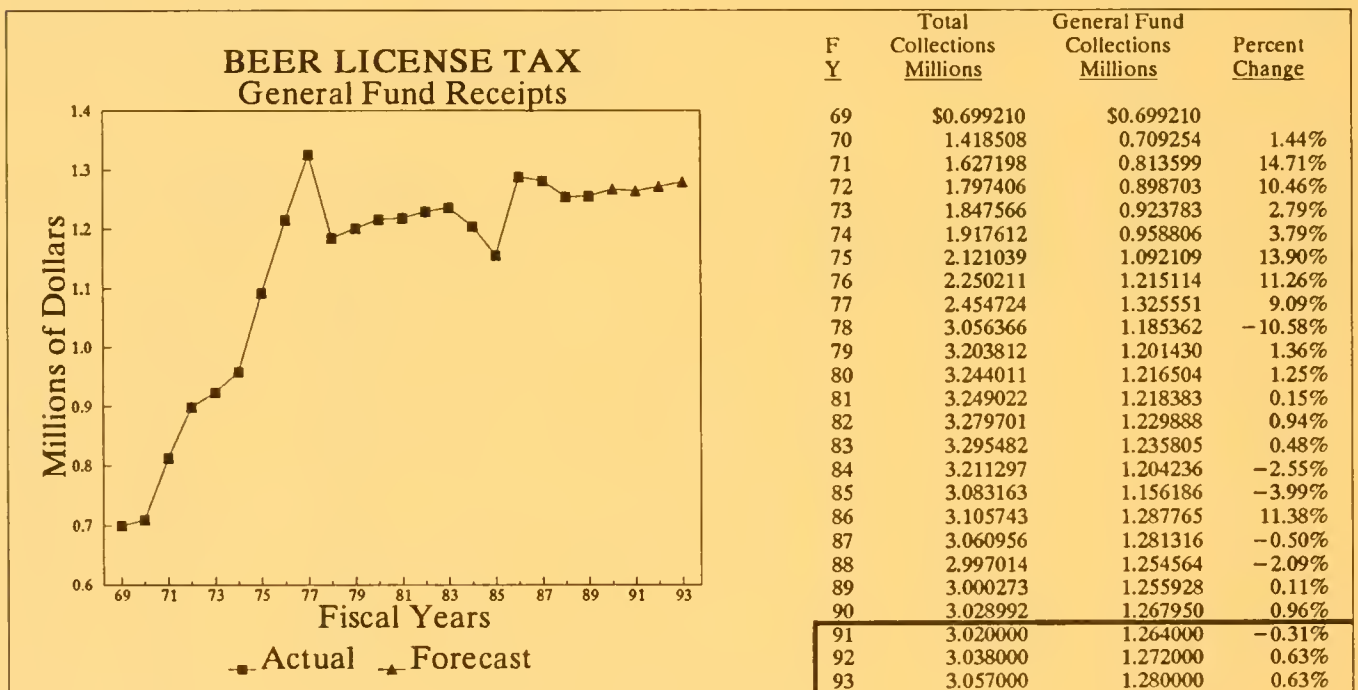
GENERAL FUND REVENUES BY COMPONENT

Beer License Tax

A tax of \$4.30 is levied on each barrel of beer produced in or imported into Montana. Currently, 41.86 percent of the receipts are distributed to the general fund, 34.88 percent to the Department of Institutions' alcoholism account, and 23.26 percent to cities and towns.

Beer consumption on a per capita basis has declined by 1.1 percent in fiscal 1987, 1.6 percent in fiscal 1988, and 0.02 percent in fiscal 1989. However, in fiscal 1990, per capita consumption increased by 1.7 percent, reversing a nine-year declining trend.

Revenues for fiscal years 1991 through 1993 are projected to stabilize with per capita consumption remaining constant.



GENERAL FUND REVENUES BY COMPONENT

Natural Gas Severance Tax

A natural gas severance tax is imposed on the production of natural gas in Montana. The tax rate of 2.65 percent is applied to the total gross value of natural gas produced from each lease or unit. All receipts are deposited in the general fund.

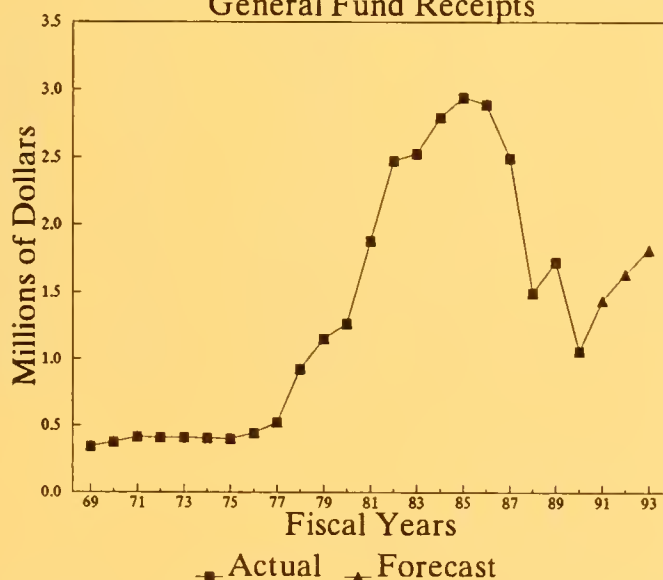
Natural gas production has declined since calendar 1979, but this trend reversed in calendar 1988 and 1989. Total production is expected to increase moderately throughout the forecast period.

Average natural gas well-head prices are expected to decline slightly in calendar 1990 and then begin to increase in calendar 1991 and 1992. By calendar

1991, the natural gas surplus is expected to begin diminishing and world oil prices are expected to be higher. With a more limited supply and more competitively priced fuels, well-head prices should begin to rise.

The decrease in collections beginning in fiscal 1988 resulted from legislation passed in 1987 that: 1) exempted from taxation the first 30,000 cubic feet of average daily production from stripper wells; 2) reduced the tax rate on the remaining production from stripper wells; and 3) exempted from taxation all new production for the first 24 months of production. The tax exemption for new production ended in August 1990, when the price of oil reached \$25 per barrel.

NATURAL GAS SEVERANCE TAX
General Fund Receipts



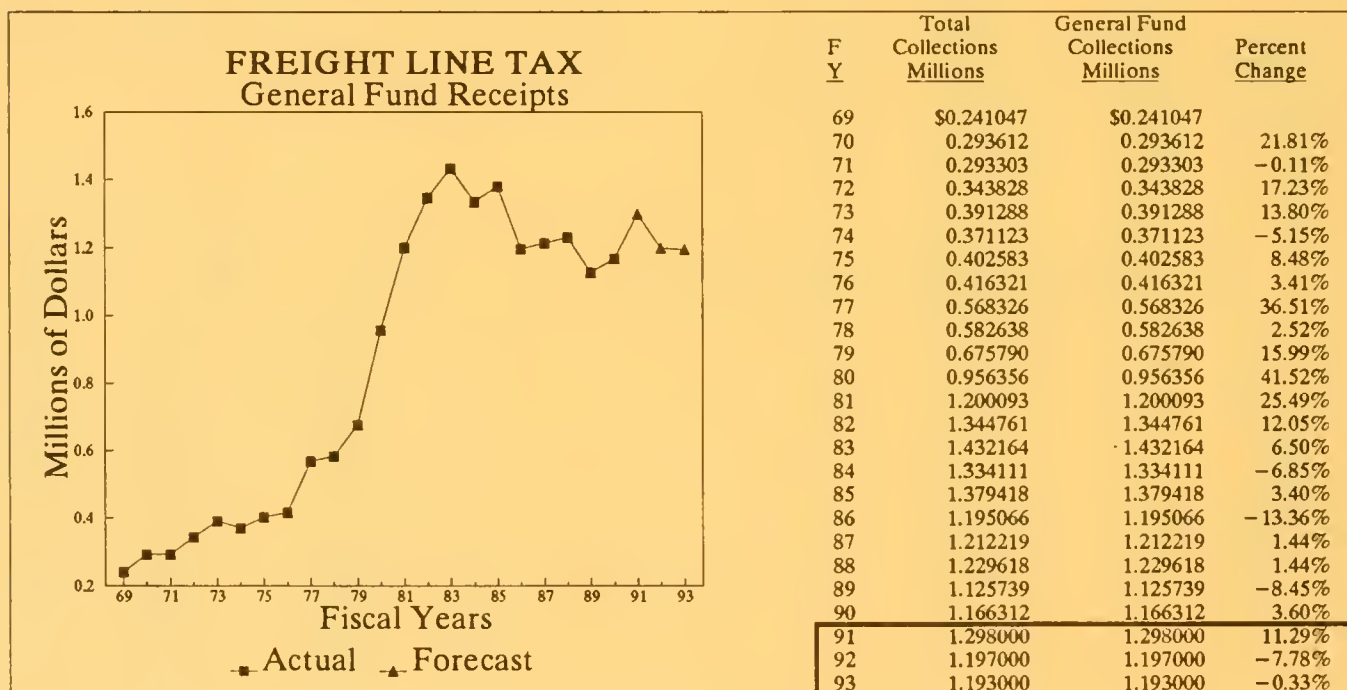
F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
69	\$0.347054	\$0.347054	
70	0.379112	0.379112	9.24%
71	0.418475	0.418475	10.38%
72	0.410554	0.410554	-1.89%
73	0.412667	0.412667	0.51%
74	0.406911	0.406911	-1.39%
75	0.403359	0.403359	-0.87%
76	0.445640	0.445640	10.48%
77	0.527496	0.527496	18.37%
78	0.923601	0.923601	75.09%
79	1.151104	1.151104	24.63%
80	1.264024	1.264024	9.81%
81	2.115399	1.881292	48.83%
82	2.658600	2.474811	31.55%
83	2.731818	2.525059	2.03%
84	2.974924	2.797996	10.81%
85	3.455040	2.945778	5.28%
86	2.995576	2.890666	-1.87%
87	2.599380	2.492465	-13.78%
88	1.499755	1.491523	-40.16%
89	1.724735	1.724735	15.64%
90	1.057277	1.057277	-38.70%
91	1.438000	1.438000	36.01%
92	1.634000	1.634000	13.63%
93	1.816000	1.816000	11.14%

GENERAL FUND REVENUES BY COMPONENT

Freight Line Tax

The freight line company tax is assessed on the gross earnings of every railroad freight line company operating in Montana. Freight line companies are defined as companies operating or leasing railroad freight cars but not owning the rails over which the cars travel. The tax rate of 5.50 percent is applied to the gross earnings derived from business during the calendar year. All collections from this tax are deposited in the general fund.

The deregulation of railroads under the Staggers Act of 1980 and the depressed agricultural years of the 1980's are responsible for the decline in freight line tax receipts. However, revenues for fiscal 1991 are forecast to increase by about 2.6 percent and then remain almost constant in fiscal 1992 and 1993. These forecasts are premised on grain shipments returning to more normal levels and out-of state coal shipments remaining at calendar 1989 levels.

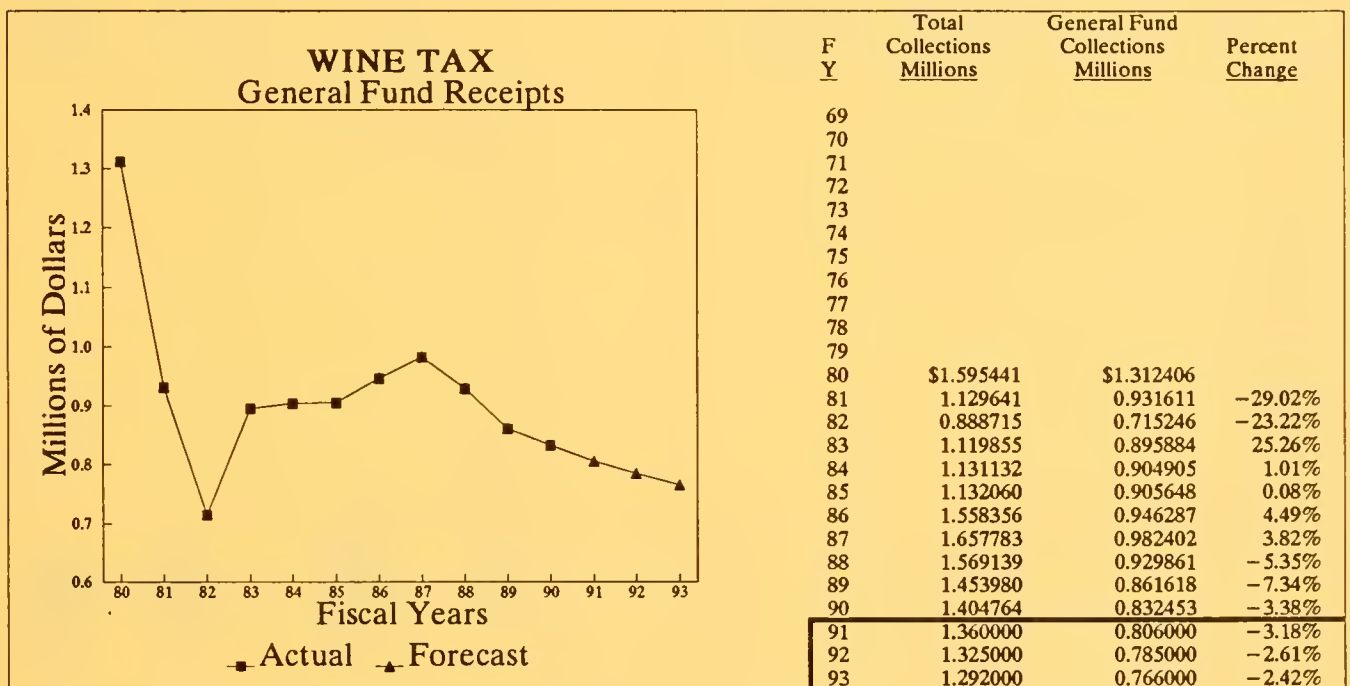


GENERAL FUND REVENUES BY COMPONENT

Wine Tax

A wine tax is levied on table wines imported into Montana by wine distributors or the Department of Revenue. The \$0.27 per liter tax is distributed in the following manner: 59.26 percent to the general fund; 30.89 percent to the Department of Institutions alcoholism account; 9.85 percent to counties and cities.

Since wine taxes are not based on the value of the commodity, revenues are a function of consumption. Montana's per capita consumption declined by 4.9 percent in fiscal 1988, 7.5 percent in fiscal 1989, and 2.7 percent in fiscal 1990. Total revenues for fiscal 1991 through 1993 are projected to continue this trend but at a slower rate of decline.

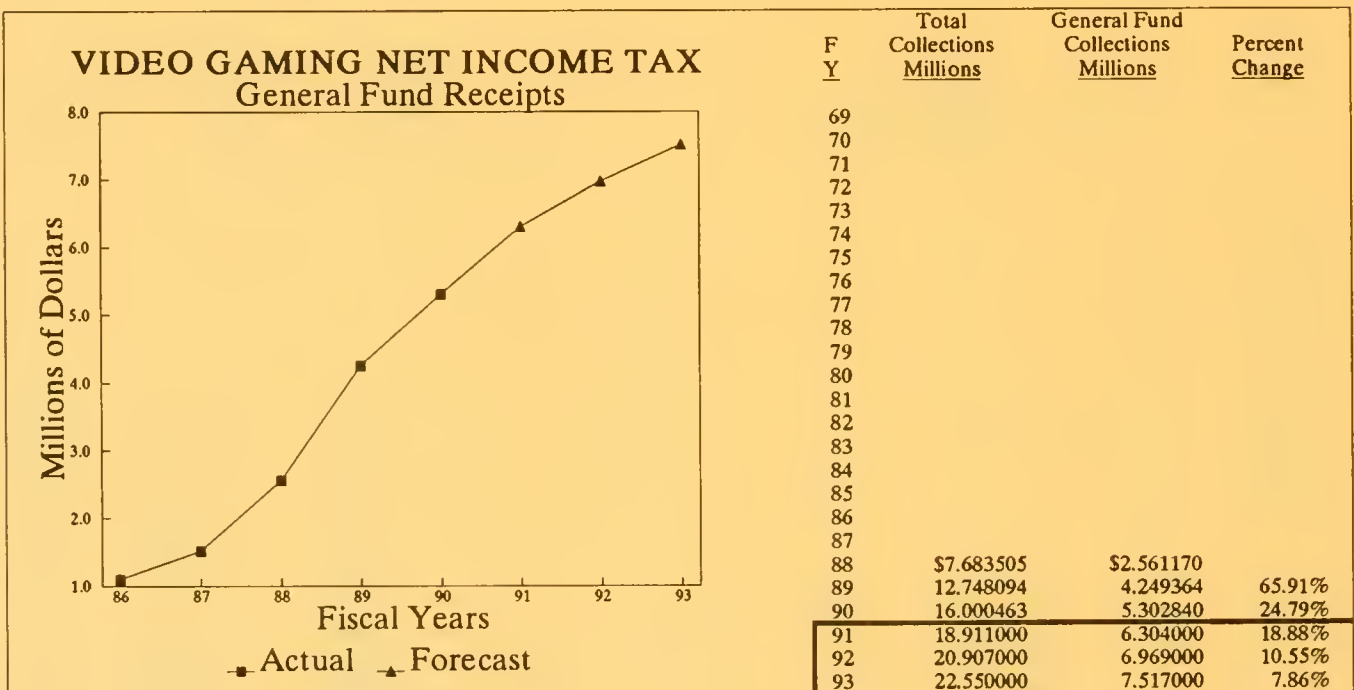


GENERAL FUND REVENUES BY COMPONENT

Video Gaming Net Income Tax

The Department of Justice is authorized to collect a 15 percent tax on the net income of each licensed video gambling machine. One-third of the collections is deposited in the general fund, with the remainder distributed to the incorporated cities and towns or counties in which the licensed machines are located.

In addition, the department collects \$200 for each video gambling machine permit, \$100 to be retained by the department for administrative purposes, and \$100 to be returned to the local government jurisdiction in which the machine is located. An annual license fee of \$1,000 is also charged to manufacturers-distributors of video gambling machines.



GENERAL FUND REVENUES BY COMPONENT

Motor Vehicle Account

With the enactment of House Bill 744, the 1989 legislature eliminated the state special revenue motor vehicle recording account and required all receipts be deposited in the general fund. Effective July 1, 1989, the fund balance and all of the following fees collected by the Department of Justice are deposited in the general fund:

1) \$4 of the \$6 motorboat or sailboat certificate of ownership or transfer of ownership fee; 2) \$2 of the \$3 snowmobile certificate of ownership or transfer of ownership fee; 3) the \$0.50 snowmobile registration fee; 4) all money collected from snowmobile dealer registration and renewal registration

fees; 5) all collected from the filing of security interest or other liens against a motor vehicle; 6) \$6 certificate of ownership duplication fee; 7) \$3 additional registration fee for the registration of public-owned vehicles exempt from license or registration fees; and 8) \$20 personalized license plate fee and the \$5 renewal or transfer fee.

The 1991 legislature increased some of these fees and established several new fees, for a net estimated increase of \$2.06 million in the 1993 biennium. Following is a table showing the estimated general fund impact of these bills. A short summary of each bill follows the table.

Table 7
Estimated General Fund Impact of Legislation

		1993 Biennium
HB209	Perfect Lien on Vehicle	\$ 10,000
HB579	Revise Motor Vehicle Law	1,834,000
HB646	Handicapped Parking Cards	18,000
HB723	Veteran's License Plates	9,000
SB80	Overweight Vehicle Penalties	9,000
SB191	Clarify Motor Vehicle Laws	11,900
SB323	Revising Motor Vehicle Dealers Laws	164,000
Total		\$2,055,900

House Bill 209 increases the application fee for a certificate of ownership of an off-highway vehicle from \$4 to \$5, and increases the portion allocated to the general fund from \$3 to \$3.50. The bill also establishes a \$4 fee for the perfection of a security interest in off-highway vehicles, which is deposited in the state general fund.

House Bill 579 establishes a county motor vehicle computer fee of \$1 assessed on the annual registration of all motor vehicles, boats, snowmobiles, and off-highway vehicles to be deposited in the general fund.

House Bill 646 allows additional parking privilege display cards to be purchased by handicapped persons at a cost of \$1 per card.

House Bill 723 creates special license plates for veterans of military service and for holders of the purple heart medal. Each license plate will cost \$10, generating an estimated \$9,000 for the general fund in the 1993 biennium.

Senate Bill 80 provides a penalty for failure to purchase a special overweight permit.

Senate Bill 191 provides for the issuance of special-purpose license

GENERAL FUND REVENUES BY COMPONENT

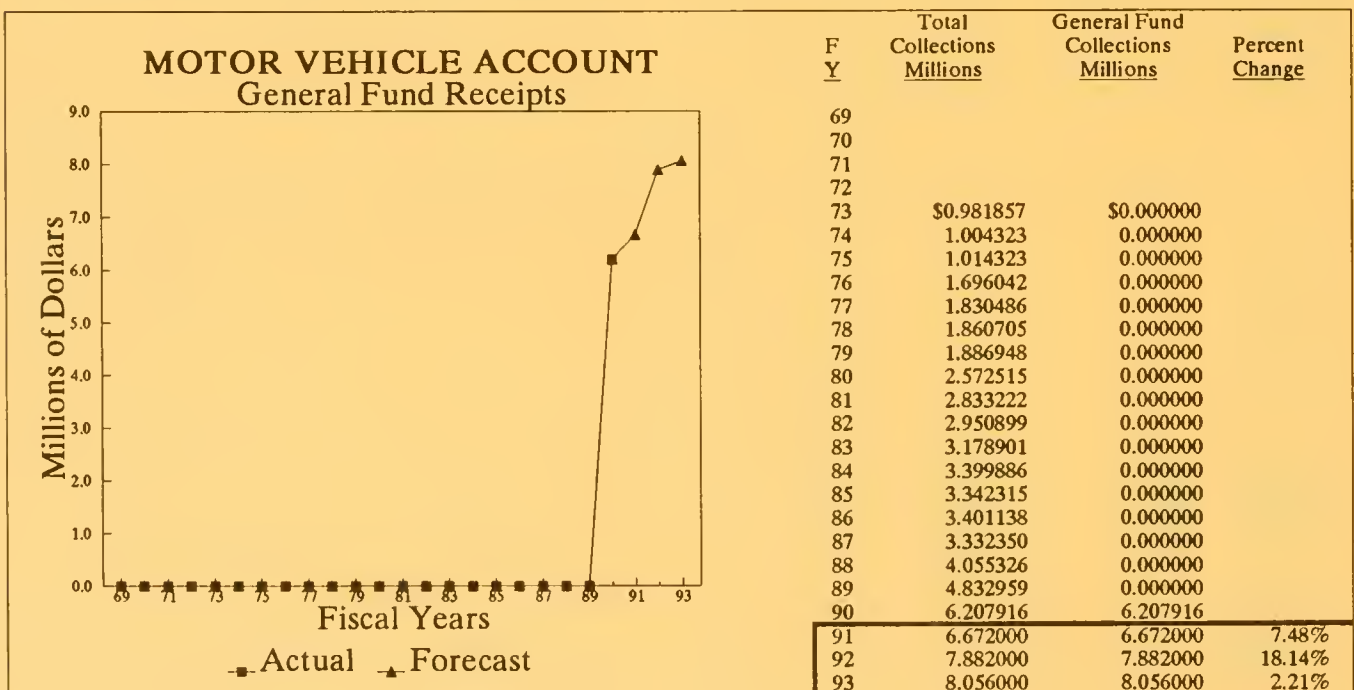
plates and the creation of generic plates for other special purposes. In addition, the bill increases the maximum fine for a misdemeanor traffic violation from \$25 to \$500.

Senate Bill 323 establishes a fee for the licensing of wholesaler motor vehicle operations. The new wholesaler fee will be \$30 per license. In addition, the bill establishes permanent and temporary auto auction licenses and annual auto auction license fees.

House Bill 312 changes the distribution of the local option motor vehicle tax of

0.5 percent. Under previous law the local option motor vehicle tax was apportioned to counties, cities, schools, and special districts on the basis of mill levies. This legislation distributes the local option tax: 50 percent to counties; and 50 percent to counties and incorporated cities and towns apportioned on the basis of population.

House Bill 312 will have no effect on state revenues.



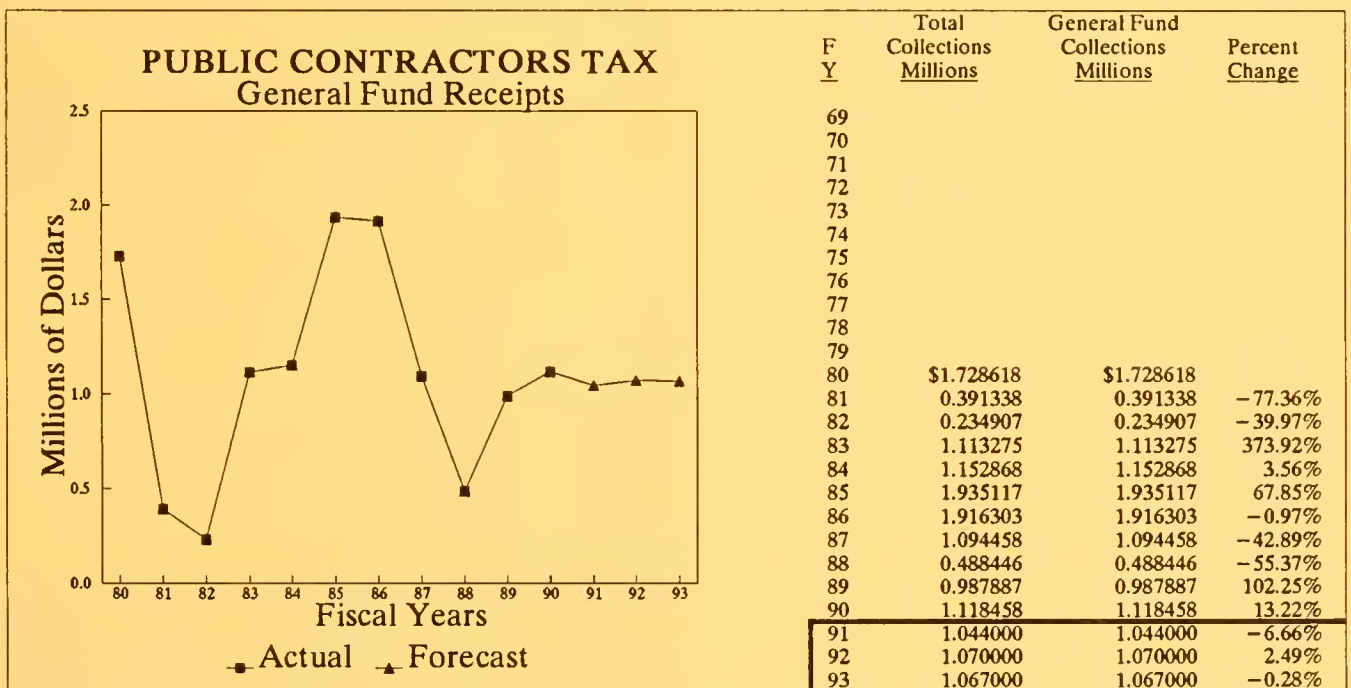
GENERAL FUND REVENUES BY COMPONENT

Public Contractors Tax

Contractors or subcontractors submitting a proposal to preform construction work in Montana for the federal government, state government, or any political subdivision must be licensed as a public contractor. A license is not required in order to bid on contracts in which federal aid is used for highway con-

struction, but a license is required once the bid is awarded.

The 1 percent license fee is applied to the gross receipts of each separate project let by any of the listed public entities. However, the license fee paid may be used as a credit on the contractor's corporate, individual, or personal property tax return.



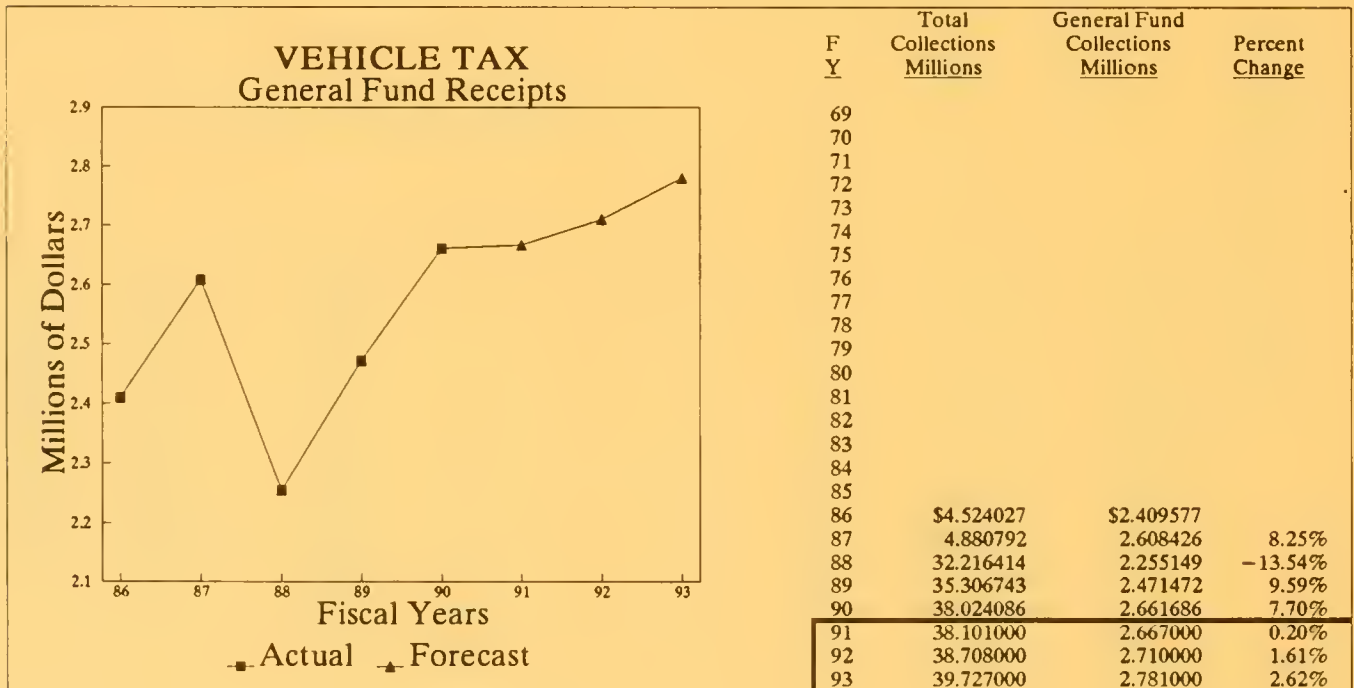
GENERAL FUND REVENUES BY COMPONENT

Vehicle Tax

Motor vehicles are assessed for taxes on the first day of the registration period. The assessment is based on the average trade-in or wholesale value as of January 1. The National Automobile Dealers Association (NADA) Official Used Car Guide, the National Edition of NADA Appraisal Guides Official Older Used Car Guide, or the retail value of the vehicle as determined by the county assessor is used for this purpose.

If the value shown in any of the appraisal guides listed is less than \$500, the value of the vehicle is set at \$500. The amount of tax due is based on 2 percent of the assessed value.

Seven percent of these taxes is remitted to the state general fund for purposes of funding district court expenses. The remainder is distributed based on the relative proportions of mill levies for state, county, school district, and municipal purposes.



GENERAL FUND REVENUES BY COMPONENT

Other Revenue Sources

There are a number of other taxes, fees, and fines that individually generate less than \$2.5 million annually to the general fund.

The statutes governing these taxes, fees, and fines are frequently changed, thereby making the comparison of tax years difficult. However, if all the revenue sources are treated as a group, general trends can be identified.

Since fiscal 1981, revenues in this category have grown an average of 5 percent per year after adjusting for one-time receipts. However, from fiscal 1985 to 1986 and from fiscal 1987 to 1988, revenues increased by an average of 3.5 percent. It is assumed this

trend will continue throughout the forecast period.

Also included in this category is the anticipated revenue from the public service commission tax and transfers from the capital land grant account. These components are estimated separately and are combined with this category after the 3.5 percent general growth rate is applied.

The revenue collections for fiscal 1987 included proceeds from the sale of the Montana Youth Treatment Center at Billings and the transfer of funds from the crime victims and junk vehicle accounts.

Table 8 shows the general fund impact of bills affecting these revenue components passed by the 1991 legislature.

Table 8
General Fund Impact of Legislation
1993 Biennium

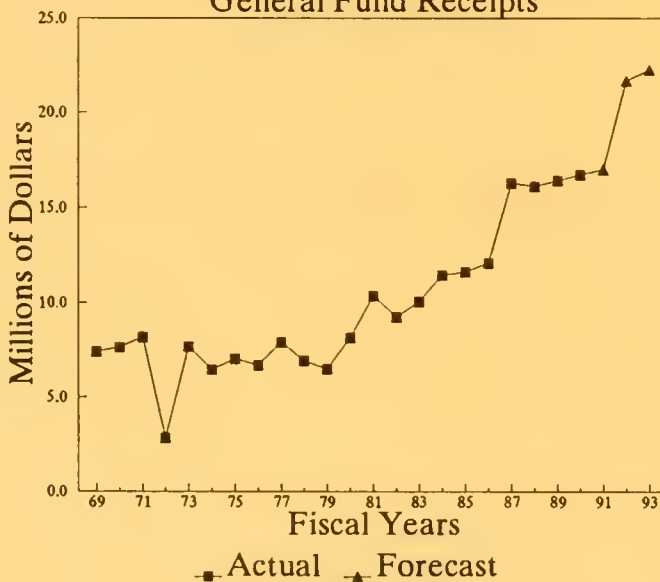
House Bill 53	Petroleum License Fees	\$ 40,000
House Bill 66	Beekeepers	23,000
House Bill 93	Utilization Fee for Bed Days	4,813,000
House Bill 155	Revise Salary of County Attorney	386,000
House Bill 192	Transporting Logs	127,000
House Bill 340	Property Taxation of Forest Land	700,000
House Bill 414	Water Quality Rehabilitation Account	(40,000)
House Bill 431	Teacher Certification Fees	(118,000)
House Bill 494	Drivers' Reinstatement Fee	207,000
House Bill 520	Per Diem & Lodging Expenses	36,000
House Bill 896	Revise Fire Marshall Law	(1,000)
House Bill 923	Automatic Income Withholding	126,000
House Bill 964	Repealing Herbicide Surcharge	(1,038,000)
House Bill 987	Regulating Public Accommodations	(2,000)
House Bill 988	Regulating Camp Grounds, Etc	(4,000)
House Bill 989	Regulating Food Establishments	(14,000)
Senate Bill 26	In-State Investments	525,000
Senate Bill 228	Increase Judicial Salaries	705,000

GENERAL FUND REVENUES BY COMPONENT

General Fund Impact of Legislation 1993 Biennium (continued)

Senate Bill 253	Opencut Mining Act	(31,000)
Senate Bill 275	Repeal Nuisance Taxes	(534,000)
Senate Bill 278	Repeal Nuisance Taxes	(25,000)
Senate Bill 423	Corporate Information List	<u>35,000</u>
Total		\$5,916,000

OTHER REVENUE SOURCES General Fund Receipts



F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
69	\$7.404902	\$7.404902	
70	7.669004	7.669004	3.57%
71	8.194068	8.194068	6.85%
72	2.847773	2.847773	-65.25%
73	7.682533	7.682533	169.77%
74	6.483429	6.483429	-15.61%
75	7.055104	7.055104	8.82%
76	6.689457	6.689457	-5.18%
77	7.920975	7.920975	18.41%
78	6.952651	6.952651	-12.22%
79	6.499864	6.499864	-6.51%
80	8.167768	8.167768	25.66%
81	10.364201	10.364201	26.89%
82	9.241142	9.241142	-10.84%
83	10.062807	10.062807	8.89%
84	11.437934	11.437934	13.67%
85	11.623535	11.623535	1.62%
86	12.105944	12.105944	4.15%
87	16.294540	16.294540	34.60%
88	16.116586	16.116586	-1.09%
89	16.405636	16.405636	1.79%
90	16.740072	16.740072	2.04%
91	16.996000	16.996000	1.53%
92	21.683000	21.683000	27.58%
93	22.237000	22.237000	2.55%

SCHOOL FOUNDATION PROGRAM

1991 Schedules Continued

School foundation schedules will remain at the fiscal 1991 level throughout the 1993 biennium. Although both houses of the legislature approved a 2 percent per year increase in foundation schedules, this increase was contingent on the passage of House Bill 1007, which imposed a 5 percent income tax surtax to fund the foundation increase and several appropriations to the university system. Since House Bill 1007 was vetoed, no foundation program increase was enacted by the 1991 legislature.

Support for Montana's elementary and high schools will continue to be the state's single largest expenditure during the 1993 biennium. For the biennium, state funds distributed to school districts will total \$880.90 million, which is equal to 97 percent of the general fund appropriated in House Bill 2 for the operation of all of state government. Table 1 shows state support for K-12 education during the 1993 biennium.

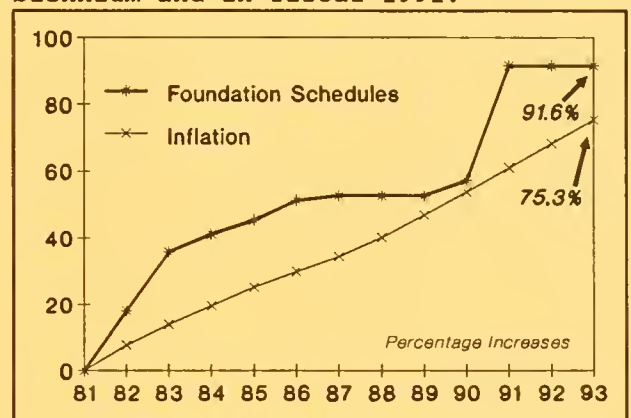
Table 1
State Support for K-12 Education
1993 Biennium

Program	State Support
Foundation	\$697.20
Guaranteed Tax Base	90.77
Transportation	20.80
Special Education	67.21
Other	4.92
Total	\$880.90

State support for K-12 education increased substantially in fiscal 1991, when the new school equalization bill passed during the June 1989 special session went into effect. This bill increased foundation schedules by 14 to 24 percent and provided state guaranteed tax base support for a portion of permissive and retirement costs. While annual state support for K-12 expenditures in the 1993 biennium will be only 1.4 percent above fiscal 1991 budgets, this is more than \$100 million

above fiscal 1990 state support expenditures.

During the period 1981 through 1991, foundation schedule increases (91.58 percent) exceeded the rate of inflation, as the graph shows. Based on anticipated inflation rates, foundation schedule increases for the period 1981 through 1993 will still exceed inflation (75.3 percent), despite the "zero/zero" increase for the 1993 biennium. This is due to the large increases in the 1983 biennium and in fiscal 1991.



As Table 2 shows, schedule increases in most years during this period have been less than the inflation rate.

Table 2
Historical Percentage Changes
Foundation Schedules & Inflation

Fiscal Year	Inflation % Change	% Change Schedules
1982	7.68	18.00
1983	5.84	15.00
1984	4.84	4.00
1985	4.75	3.00
1986	3.74	4.00
1987	3.43	1.00
1988	4.31	0.00
1989	4.81	0.00
1990	4.78	3.00
1991	4.63	21.82
1992	4.46	0.00
1993	4.24	0.00

The schedule increase in fiscal 1991 was primarily a reallocation between state

SCHOOL FOUNDATION PROGRAM

and local school district support. Data compiled by the Office of Public Instruction shows that statewide school districts increased their general fund budgets by less than 5 percent between fiscal 1990 and 1991, despite the large increase in state support.

Other Legislation

The 1991 legislature did provide increased funding for local school districts in several areas:

1) Transportation - Senate Bill 82 increases the reimbursement rates for on-schedule transportation costs by 6.25 percent and increases the state share of the transportation reimbursement for special education children. It also provides the same method to fund both elementary and high school on-schedule transportation costs: one-half the cost is paid by the state and one-half by the county. In House Bill 2, the general fund appropriation for transportation was increased to reflect historical payment levels, including supplemental appropriations.

2) Out-of-District Placements - House Bill 999 makes the Office of Public Instruction, rather than local school districts, responsible for the costs of most out-of-district placements. The cost of certain out-of-state placements will be paid from the county equalization tax. The bill, which also contains measures for controlling costs of such placements, appropriates \$2.471 million to OPI to fund educational programs for children with disabilities who are placed in an in-state psychiatric hospital or residential facility. The bill is anticipated to increase equalization costs by \$0.8 million during the biennium.

3) Guaranteed Tax Base Support - Senate Bill 17 allows districts to use unreserved fund balances derived from P.L. 81-874 funds, bonus payments, or tax settlements and delinquent tax payments to reduce either the permissive levy or the voted levy. Under current law, districts must use these reserves to reduce the permissive levy, which also reduces the state payment for guaranteed tax base support in eligible

districts. The Office of Budget and Program Planning estimates that guaranteed tax base payments will increase \$2.88 million during the biennium as a result of this change.

4) Telecommunications - House Bill 30 appropriates \$300,000 of general fund and spending authority for \$150,000 in matching funds to the Department of Administration to be used for development and implementation of the Montana educational telecommunication network. In addition, the bill appropriates \$1 per student (ANB) per year to OPI for participation in the network.

5) Gifted and Talented - The legislature increased funding for this program from \$200,000 for the biennium to \$600,000.

The legislature did not fund the \$5 million appropriation to the Board of Public Education recommended by the Legislative Oversight Committee on School Funding Implementation for capital outlay grants to districts with low taxable value to meet accreditation needs.

Two bills passed by the 1991 legislature revised the calculation procedures used in determining state support payments. House Bill 462 provides for a phase-in over five years of the aggregation of ANB when school buildings are located within three miles of the city limits and within three miles of other schools. This change is anticipated to reduce state equalization costs by \$1.5 million during the 1993 biennium. House Bill 580 eliminates the requirement that non-tax revenues be included in the guaranteed tax base calculation. Instead, taxable value divided by ANB will be the basis of the calculation. However, in order to compensate for the loss of this nontax revenue in the calculation, the statewide taxable value will be multiplied by 121 percent when setting the state guaranteed tax base per ANB. OPI calculates that this adjustment should keep the guaranteed tax calculation revenue-neutral.

Two bills passed during the session also impacted the revenues flowing into the school equalization account.

SCHOOL FOUNDATION PROGRAM

Senate Bill 17 earmarked 28.5 percent of the income tax and corporation tax collections to the school equalization account, beginning in fiscal 1992. Historically, between 25 and 41 percent of the income tax and 25 to 28.5 percent of the corporation tax have been earmarked to the school equalization account. However, the new school equalization bill passed during the June 1989 special session ended the allocation of both these tax sources to the account beginning in fiscal 1992. Senate Bill 17 restores the traditional allocation of these tax sources to the account.

Senate Bill 37 allocated 1.6 percent of net revenue from lottery sales in fiscal 1992 and up to 9.1 percent in fiscal 1993 and beyond (up to \$1 million per fiscal year) for youth detention services. The remainder is deposited in the school equalization account.

Fund Balance

As the following table shows, the school equalization account may have a deficit of \$10.78 million at the end of the 1993 biennium, based on existing revenue estimates and anticipated expenditures from the account. However, since this amount comprises only 1.4 percent of total revenues, slight changes in revenue collections or expenditures could result in a positive fund balance or a larger deficit. Section 20-9-351, MCA, requires the Superintendent of Public Instruction to request a supplemental appropriation if funds in the SEA are insufficient to pay foundation and GTB costs. Under current law, foundation and GTB payments are "entitlements" and cannot be reduced due to a revenue shortfall.

Source of Revenue	Actual Fiscal 1990	Estimated Fiscal 1991	Estimated Fiscal 1992	Estimated Fiscal 1993	Estimated FY 90-91	Estimated FY 92-93
State Revenue						
Income Tax	92.787255	124.102000	94.358000	96.858000	216.889255	191.216000
Corporation Tax	18.844917	20.234000	15.285000	15.063000	39.078917	30.348000
Coal Tax	2.579080	5.523000	4.399000	4.380000	8.102080	8.779000
Interest & Income	34.706901	36.961000	38.110000	39.340000	71.667901	77.450000
Us Oil & Gas Royalties	20.240644	25.420000	25.527000	24.916000	45.660644	50.443000
Education Trust Interest	0.713114	0.175000	0.070000	0.072000	0.888114	0.142000
SEA Interest	0.000000	0.629000	0.375000	0.000000	0.629000	0.375000
Permanent Trust Interest	0.000000	7.195000	7.773000	8.018000	7.195000	15.791000
Lottery	0.000000	4.975000	5.901000	6.381000	4.975000	12.282000
Statewide 40 Mills	0.000000	62.573000	64.074000	65.232000	62.573000	129.306000
Miscellaneous	0.142422	7.337000	8.358000	8.722000	7.479422	17.080000
County Levy Surplus	7.895392	0.000000	0.000000	0.000000	7.895392	0.000000
Total State	\$177.909725	\$295.124000	\$264.230000	\$268.982000	\$473.033725	\$533.212000
Statewide Taxable Valuation	\$1,884.550412	\$1,564.317000	\$1,599.727000	\$1,628.667000		
County Revenue						
45/55 Mills	76.909377	86.037000	87.985000	89.577000	162.946377	177.562000
Elementary Transportation	-3.741193	-3.754000	0.000000	0.000000	-7.495193	0.000000
Cash Reappropriated	4.173075	2.657000	1.116000	0.339000	6.830075	1.455000
Forest Funds	1.627284	1.252000	1.276000	1.304000	2.879284	2.580000
Taylor Grazing	0.117160	0.114000	0.113000	0.112000	0.231160	0.225000
Miscellaneous	5.490026	18.701000	19.862000	19.957000	24.191026	39.819000
High School Tuition	-0.891867	-0.802000	-0.810000	-0.820000	-1.693867	-1.630000
Total County	\$83.683862	\$104.205000	\$109.542000	\$110.469000	\$187.888862	\$220.011000
District Revenue						
Permissive Levy	16.960954	0.000000	0.000000	0.000000	16.960954	0.000000
Light Vehicle Replacement	1.409535	0.000000	0.000000	0.000000	1.409535	0.000000
Total District	\$18.370489	\$0.000000	\$0.000000	\$0.000000	\$18.370489	\$0.000000
Total State, County, District	\$279.964076	\$399.329000	\$373.772000	\$379.451000	\$679.293076	\$753.223000

SCHOOL FOUNDATION PROGRAM

Estimated School Equalization Fund Balance In Millions

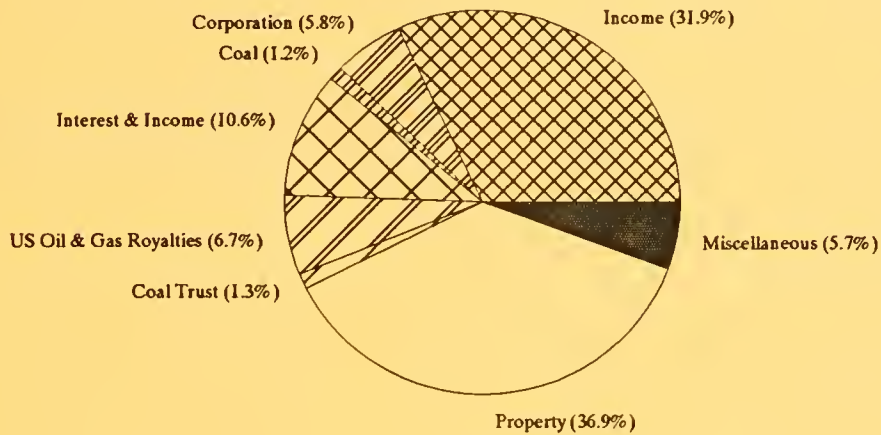
	Actual Fiscal 1990	Estimated Fiscal 1991	Estimated Fiscal 1992	Estimated Fiscal 1993	Estimated FY 90-91	Estimated FY 92-93
Beginning Fund Balance	\$15.309	\$20.592	\$32.088	\$8.249	\$15.309	\$32.088
Receipts						
Estimated Receipts	279.964	399.329	373.772	379.451	679.293	753.223
Education Trust Transfer						
Total Available	\$295.273	\$419.921	\$405.860	\$387.700	\$694.602	\$785.311
Disbursements						
Current Level Schedules	287.393	347.887	348.181	349.023	635.280	697.204
Guaranteed Tax Base		44.382	45.374	45.395	44.382	90.769
Transportation Costs			3.908	3.914		7.822
Telecommunications Network			0.148	0.149		0.297
Anticipated Disbursements	\$287.393	\$392.269	\$397.611	\$398.481	\$679.662	\$796.092
Adjustments	(1.776)	4.436			2.660	
Residual Equity Transfer	14.488				14.488	
Ending Fund Balance	<u>\$20.592</u>	<u>\$32.088</u>	<u>\$8.249</u>	<u>(\$10.781)</u>	<u>\$32.088</u>	<u>(\$10.781)</u>

Estimated General Fund Balance In Millions

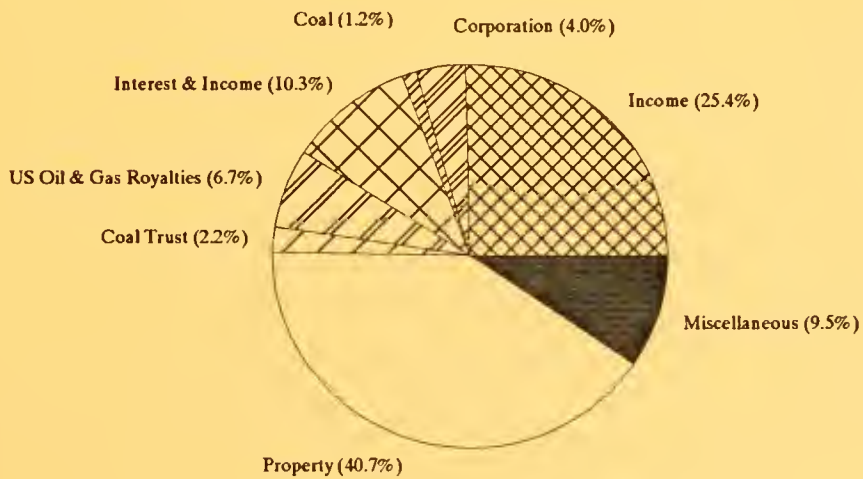
	Actual Fiscal 1990	Estimated Fiscal 1991	Estimated Fiscal 1992	Estimated Fiscal 1993	Estimated FY 90-91	Estimated FY 92-93
Beginning Fund Balance	\$67.234	\$89.038	\$70.101	\$50.306	\$67.234	\$70.101
Receipts						
Estimated Receipts	447.962	431.359	487.648	497.173	879.321	984.821
Total Available	\$515.196	\$520.397	\$557.749	\$547.479	\$946.555	\$1,054.922
Disbursements						
General Appropriations	432.323	409.662	453.868	452.795	841.985	906.663
Pay Plan Appropriations			12.962	20.914		33.876
Statutory Appropriations						
Property Tax Reimbursement		18.349	18.500	18.500	18.349	37.000
Debt Service		10.955	10.817	11.754	10.955	22.571
TRANS Interest			3.105	5.967		9.072
Retirement Benefits			3.341	3.729		7.070
Miscellaneous Appropriations			12.966	2.843		15.809
Continuing Appropriations		3.693			3.693	
Supplementals						
All Other Agencies		19.846			19.846	
State Equalization Account				10.781		10.781
Feed Bill		4.499		4.500	4.499	4.500
Reversions		(11.000)	(8.116)	(8.046)	(11.000)	(16.162)
Anticipated Disbursements	\$432.323	\$456.004	\$507.443	\$523.737	\$888.327	\$1,031.180
Adjustments	5.969				5.969	
Foundation Program Reversion						
Residual Equity Transfer	0.196	5.708			5.904	
Ending Fund Balance	<u>\$89.038</u>	<u>\$70.101</u>	<u>\$50.306</u>	<u>\$23.742</u>	<u>\$70.101</u>	<u>\$23.742</u>

SCHOOL FOUNDATION PROGRAM

Foundation Program Revenue Analysis *Contribution By Major Component FY 90-91*



Foundation Program Revenue Analysis *Contribution By Major Component FY 92-93*



PAY PLAN INCREASE

The 1991 legislature enacted the most substantial pay plan increase for state employees in a decade. Employees on the general state matrix will receive an average 7.4 percent raise in fiscal 1992 and 5.2 percent in fiscal 1993. The bill enacted by the legislature (House Bill 509) also repealed the existing general pay matrix, substituting a market-based, open-range plan for employees covered by that matrix.

Cents-Per-Hour and Market-Based Plan

In House Bill 509, the legislature approved a pay increase for all state

employees of 60 cents per hour in fiscal 1992, 25 cents per hour in the first half of fiscal 1993, and an additional 20 cents per hour in the last six months of fiscal 1993. In addition, it provides an annual "progression increase" of 0.125 percent for each full percent an employee covered by the general pay matrix is below the market salary.

House Bill 509 repealed the 13-step general pay matrix, replacing it with an "entry", "market", and "maximum" salary for each of the 25 grades, as shown in Tables 1 and 2.

PAY PLAN INCREASE

Table 1
FY92 Pay Plan - Annual
Statewide Pay Plan
(Excludes Insurance)

<u>Grade</u>	<u>Entry</u>	<u>Market</u>	<u>Maximum</u>
1	\$ 8,426	\$ 9,913	\$ 11,662
2	9,077	10,704	12,623
3	9,777	11,557	13,661
4	10,536	12,484	14,792
5	11,385	13,522	16,060
6	12,303	14,647	17,438
7	13,289	15,858	18,924
8	14,404	17,230	20,610
9	15,596	18,701	22,424
10	16,916	20,332	24,438
11	18,353	22,112	26,641
12	19,946	24,090	29,095
13	21,674	26,240	31,768
14	23,588	28,626	34,740
15	25,694	31,258	38,027
16	28,044	34,200	41,707
17	30,665	37,488	45,829
18	33,555	41,122	50,395
19	36,793	45,201	55,530
20	40,406	49,761	61,282
21	44,421	54,841	67,705
22	48,906	60,527	74,909
23	53,965	66,954	83,069
24	59,645	74,185	92,269
25	65,930	82,206	102,500

PAY PLAN INCREASE

Table 2
FY93 Pay Plan - Annual
Statewide Pay Plan
(Excludes Insurance)

<u>Grade</u>	<u>Entry</u>	<u>Market</u>	<u>Maximum</u>
1	\$ 8,679	\$10,210	\$ 12,011
2	9,349	11,025	13,001
3	10,070	11,903	14,070
4	10,852	12,858	15,235
5	11,727	13,927	16,540
6	12,672	15,086	17,960
7	13,688	16,334	19,492
8	14,836	17,747	21,229
9	16,064	19,262	23,097
10	17,424	20,942	25,170
11	18,904	22,775	27,439
12	20,545	24,812	29,965
13	22,325	27,027	32,719
14	24,295	29,485	35,784
15	26,465	32,196	39,168
16	28,885	35,226	42,959
17	31,585	38,613	47,205
18	34,562	42,355	51,906
19	37,897	46,557	57,196
20	41,618	51,254	63,121
21	45,754	56,487	69,738
22	50,373	62,343	77,157
23	55,584	68,963	85,562
24	61,434	76,410	95,036
25	67,907	84,673	105,578

Employees covered by this matrix who are hired by the state after July 1, 1991, must begin at the entry rate, unless a pay exception is approved by the Department of Administration. Employees covered by this matrix who were hired

prior to July 1, 1991, will receive the cents-per-hour raise and a progression increase in fiscal 1992 and fiscal 1993.

The annual progression increases are calculated by: 1) adding the "cents-

PAY PLAN INCREASE

per-hour" pay increase to the fiscal 1991 base salary; and 2) calculating what percent the resulting salary is of the market salary. This salary is increased by 0.125 percent for each full percentage point it is below the market salary. Table 3 shows a sample

calculation of the pay increase in fiscal 1992 and fiscal 1993 for two grade 10 employees. The employee at the higher step in fiscal 1991 will not receive a progression increase because his base salary after the cents-per-hour raise is higher than the market salary for grade 10.

Table 3
Calculation of Pay Increase
Statewide Pay Matrix

	-- Grade 10 -- Step 2		-- Grade 10 -- Step 10	
	(%)	(\$)	(%)	(\$)
<u>Fiscal 1992</u>				
FY91 Salary		\$16,743		\$19,662
Plus \$0.60 Hourly Increase	7.45	<u>1,248</u>	6.35	<u>1,248</u>
Salaries Before Market Adjustments		17,991		20,910
FY92 Market Salary		<u>20,332</u>		<u>20,332</u>
Salaries Over (Under) Market	11.51	(2,341)	0.00	578
Progression Increase Calculation: (11 x 0.125% x \$17,991)	1.38	<u>247</u>	0.00	<u>0</u>
FY92 Salaries after Market Adjustments		\$18,238		\$20,910
FY92 Total Percent Salary Increase	8.93		6.35	
<u>Fiscal 1993</u>				
FY92 Salary (at end of Fiscal Year)		\$18,238		\$20,910
Plus \$0.45 Hourly Increase*	5.13	<u>936</u>	4.48	<u>936</u>
Salaries Before Market Adjustments		19,174		21,846
FY93 Market Salary		<u>20,942</u>		<u>20,942</u>
Salaries Over (Under) Market	8.44	(1,768)	0.00	904
Progression Increase Calculation: (8 x 0.125% x \$19,174)	1.00	<u>192</u>	0.00	<u>0</u>
FY93 Salaries After Market Adjustments		\$19,366		\$21,846
FY93 Total Percent Salary Increase	6.18		4.48	

*Reflects hourly increase at the end of fiscal 1993 (\$0.25 per hour in the first half of fiscal 1993 and \$0.20 per hour in the second half of fiscal 1993).

PAY PLAN INCREASE

If an employee's base salary after these calculations is lower than the entry salary for his assigned grade, his salary will be increased to the entry salary. An employee's salary may not exceed the maximum salary for his assigned grade shown in Tables 1 and 2. The maximum salary is the same percentage above the market salary as the market salary is above the entry salary for each grade. However, an employee's salary may not be reduced as a result of the new matrix.

Development of Market-based Plan

The new matrix was designed to address problems identified by the State Employee Compensation Committee, a nine-member committee established by the 1989 legislature. After conducting a salary survey in surrounding state governments and among private and public employers in Montana, the committee found that salaries for many mid- and top-level employees and entry salaries for some professional and technical fields were well below the levels paid by other public employers and in private industry in Montana. It also determined that the existing 13-step plan was too rigid and that freezing steps in recent years had resulted in significant pay compression (over 50 percent of all employees were at step 3 or below). The committee found that these problems created recruitment and retention problems throughout state government. To alleviate these problems, the committee suggested a market-based, open-range plan.

Under a market plan, the entry and market salaries are based upon salary surveys of comparable jobs in the "relevant job market". The entry and market salaries in House Bill 509 are based upon a survey done in 1990 of

Montana public and private employers and the state governments of North Dakota, South Dakota, Wyoming, Idaho, and Washington. The salaries for each grade are based upon the weighted average survey salaries for selected occupations within each grade.

In an open-range structure, employees are not in a step structure and new state employees do not receive a one-step increase after satisfactory completion of a probationary period. Rather, they are hired at the entry salary and progress toward the market salary based upon formula-driven progression increases. The interim committee recommended annual progression increases of 0.25 percent. The legislature funded progression rate increases of 0.125 percent for state employees covered under the general matrix.

Other Provisions of HB509

House Bill 509 continues to allow the Department of Administration to offer pay exceptions to mitigate problems with recruitment and retention. It also requires that if a majority of nurses covered under the general pay matrix are granted a pay plan exception through a collectively bargained agreement, then all other classified registered nurses (including those employed in the university system) must be paid an equivalent salary.

During the 1991 biennium, the Department of Administration approved a number of "blanket" pay plan exceptions for employees in specific job classes (i.e. nurses, civil and environmental engineers, environmental specialists, and hydrologists). At the request of the agencies, the 1991 legislature approved \$3.02 million (of which \$1.25

PAY PLAN INCREASE

million was general fund) for the 1993 biennium in addition to the pay plan appropriation in House Bill 509 to fund pay plan exceptions that were approved in fiscal 1991.

House Bill 509 adjusted longevity pay to conform to the new matrix structure.

The bill also stated that shift differential pay for employees regularly scheduled to work non-day shifts and hazardous duty pay for employees who work under hazardous conditions are mandatory subjects of collective bargaining.

Other Matrices

House Bill 509 does not provide a market-based progression increase for employees exempt from state pay matrices or covered under the matrices for teachers, blue-collar occupations, or liquor store workers. Under the bill, these employees receive only the 60 cents per hour increase in fiscal 1992 and the two-stage 25 cent/20 cent increase in fiscal 1993.

The teachers' matrix retains its current step structure, based upon education level and years of experience. In addition to the cents-per-hour raises, House Bill 509 provides that in fiscal 1992 teachers be advanced to the step corresponding to their years of experience, thus regaining steps that were lost during the years when steps were frozen. In addition, teachers will receive a step increase in fiscal 1993.

Tables 8 through 10 at the end of this section show these matrices for the 1993 biennium.

Historical Perspective

Table 4 shows the percentage increase in salaries for employees in selected grades from fiscal 1976 through 1993. For the 1993 biennium, the percentage increase shown is the average for the grade. As the table shows, the pay plan increase approved by the 1991 legislature is larger than any increase since the 1981 legislature.

PAY PLAN INCREASE

Table 4
Percentage Increases* in Salaries for Selected Grades
(FY 1976 - 1993)

<u>Fiscal Year</u>	<u>Grade 8</u>	<u>Grade 12</u>	<u>Grade 16</u>	<u>Grade 20</u>
1976	5.0%	5.0%	5.0%	5.0%
1977	4.1	4.1	4.1	4.1
1978	4.8	3.3	2.8	2.7
1979	5.1	3.5	3.0	2.8
1980	4.2	3.6	4.5	5.4
1981	5.7	4.9	4.9	4.5
1982	10.8	9.2	8.5	8.5
1983	10.7	9.2	8.5	8.6
1984	1.7	1.6	1.6	1.6
1985	1.7	1.6	1.6	1.6
1986	2.3	1.7	1.6	1.6
1987	1.9	1.5	1.4	1.3
1988	0.0	0.0	0.0	0.0
1989	0.0	0.0	0.0	0.0
1990	3.2	2.5	2.5	2.5
1991	3.1	2.5	2.5	2.5
1992	8.8	7.2	5.3	4.2
1993	6.0	5.1	3.9	3.3

*Excludes step increases and increases in the employer contribution rate for group benefits

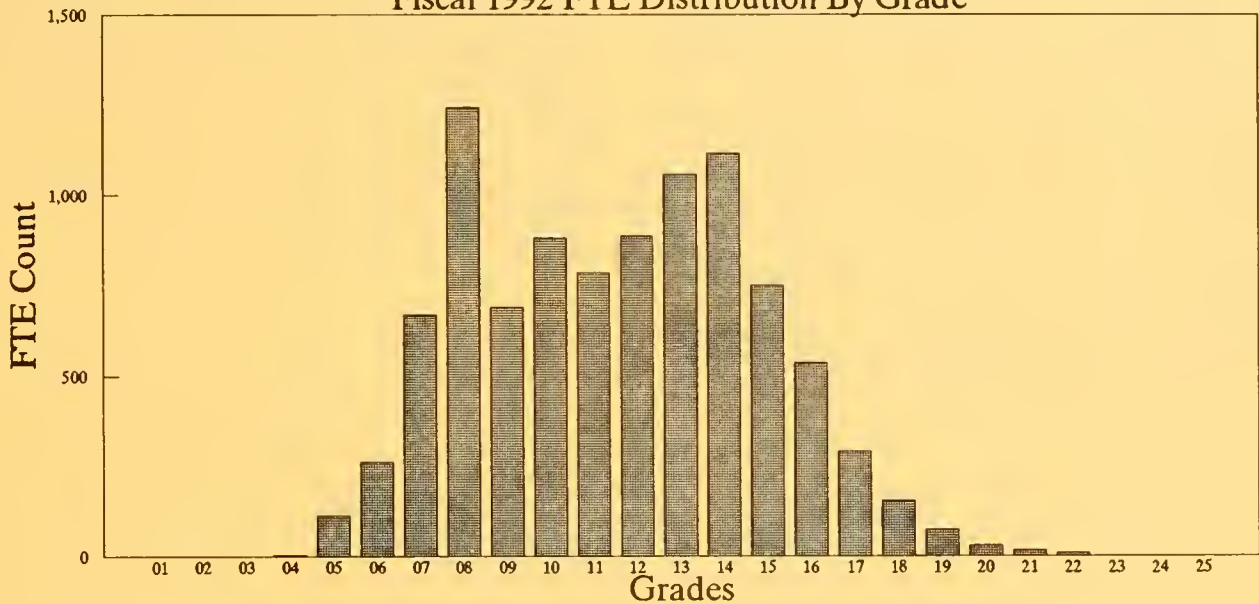
Source: Department of Administration, Personnel Division

The following graphs show the number of FTE in each grade in fiscal 1992 and the average dollar increase by grade. While the average increase for all employees covered by the general pay matrix will be \$1,458 in fiscal 1992, average increases by grade will vary from \$1,248

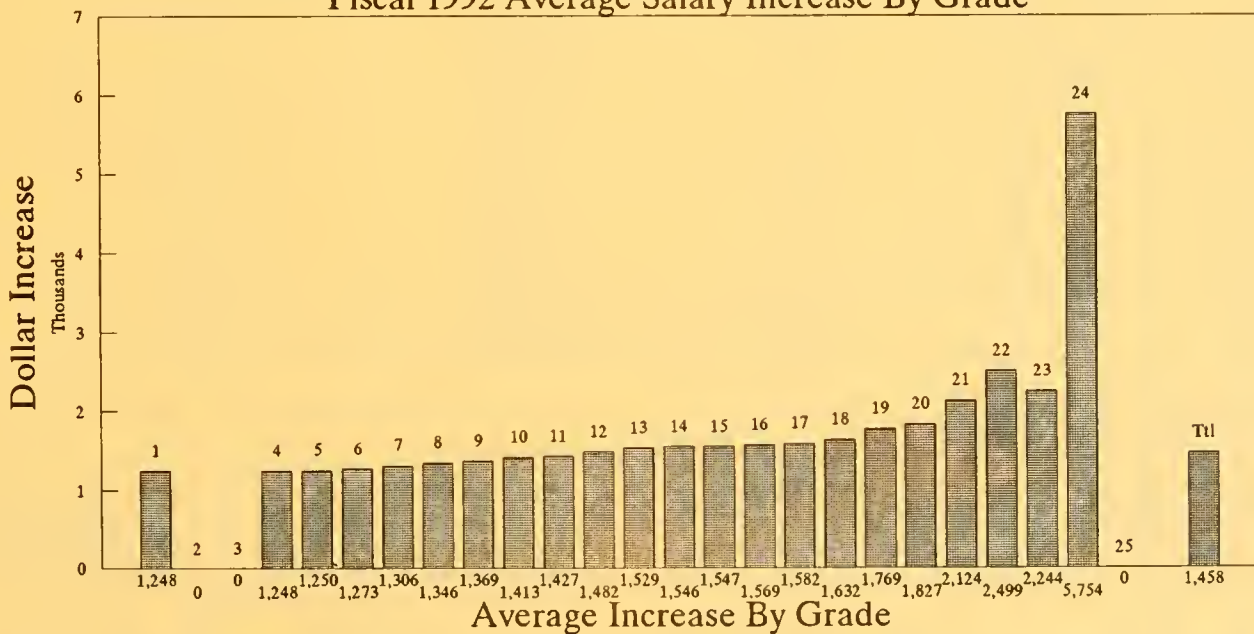
to \$5,754. The small number of grade 24 employees receive the largest increase because their salaries are significantly below the entry salary. Because there are no employees budgeted in grades 2, 3, and 25 in fiscal 1992, no salary increase is shown for those grades.

PAY PLAN INCREASE

STATE SALARY MATRIX
Fiscal 1992 FTE Distribution By Grade



STATE SALARY MATRIX
Fiscal 1992 Average Salary Increase By Grade



PAY PLAN INCREASE

Insurance Benefits

House Bill 509 increases the state contribution for health insurance by \$20 per month in each of the fiscal years. The Department of Administration has determined that these increases will not cover the projected 15 percent per year increase in health claims costs and announced the following health benefit changes effective September 1, 1991:

- ♦ employees' contributions for dependent coverage will increase by \$9-\$17 per month;
- ♦ the annual deductible will increase from \$175 to \$200 per member or from the \$450 family maximum to \$600;

♦ the annual allowable charges to which co-payment is applied will increase from \$2,500 per member (\$5,000 per family) to \$3,000 per member (\$6,000 per family). The 25 percent co-payment will remain unchanged.

♦ reimbursements for certain dental work will be limited to \$1,500 per benefit year.

Table 5 shows the history of state and employee contributions to the health plan since 1980.

Table 5
Monthly Health Insurance Premium and
Employer Contribution History
Insurance Years 1980 to 1993

Year	State Share	Core Plan Premium	Additional Premium for Family Coverage	Employee Cost for Family Coverage*
1980	\$50.00	\$45.00	\$33.76	\$28.76
1981	60.00	55.00	39.40	34.40
1982	70.00	65.00	47.84	42.84
1983	80.00	77.67	56.93	54.60
1984	90.00	83.70	57.00	50.70
1985	100.00	93.70	57.00	50.70
1986	105.00	96.20	57.00	48.20
1987	115.00	101.20	57.00	43.20
1988	115.00	101.20	57.00	43.20
1989	115.00	101.20	57.00	43.20
1990	130.00	116.20	57.00	43.20
1991	150.00	136.30	67.00	53.30
1992	170.00	156.30	84.00	70.30
1993	190.00	NA	NA	NA

*Out-of-pocket costs.

The University System has announced it will increase employee contributions for retirees and for dependent coverage by approximately 25 percent in fiscal 1992.

This increase in "out-of-pocket" costs will vary from \$0 per month (for employees with no covered dependents) to \$40 per month for employees on leave with 2 or more dependents.

PAY PLAN INCREASE

State Elected Officials' Pay

House Bill 509 increased salaries of elected and appointed officials as shown in the following table. Salary

increases for district and Supreme Court justices are established in Senate Bill 228 and funded in House Bill 2.

Table 6
Salaries of Elected and Appointed Officials

	Fiscal <u>1991</u>	Fiscal <u>1992</u>	Fiscal <u>1993</u>
Governor	\$53,006	\$54,254	\$55,502
Lt. Governor	37,970	39,218	40,466
Attorney General	48,345	49,593	50,841
State Auditor	35,030	36,278	37,526
Superintendent of Public Instruction	41,681	42,929	44,177
Public Service Commission			
-Chairman	39,254	40,502	41,750
-Other Members	37,970	39,218	40,466
Clerk of Supreme Court	34,041	35,289	36,537
Secretary of State	35,030	36,278	37,526
Commissioner of Political Practices	29,055	30,303	31,551
State Tax Appeal Board			
-Chairman	29,809	32,198	33,164
-Other Members	29,034	30,665	31,585

Legislators will receive salary equivalent to the entry level grade 8 (\$7.133/hour) beginning in January 1993, compared to the equivalent of a grade 8, step 2 in fiscal 1991 (\$7.055/hour).

Cost of the Pay Plan Increase

House Bill 509 appropriates \$33.9 million general fund and \$34.0 million other funds for this pay plan increase. This amount was calculated to:

- fully fund the cents-per-hour and an average progression increase for all state employees covered under the general pay matrix;

- fully fund the cents-per-hour increase for all exempt state employees and those covered under other matrices;
- fully fund the insurance contribution increase and all associated benefits;
- provide 78 percent of the funding for the cost of the university system pay plan increase. The remainder is to be funded with tuition revenues.

In House Bill 2, the legislature made several adjustments to enable agencies

PAY PLAN INCREASE

with employees not covered by the general matrix to fund a progression increase for their employees. The Judiciary, Legislative Council, and Legislative Auditor's office were exempted from personal service reductions (vacancy savings). Additional appropriations (totalling \$61,399 general fund and \$18,910 other funds) were provided to smaller legislative agencies (the Legislative Fiscal Analyst, Environmental Quality Council, and Consumer Counsel) in House Bill 2 for this purpose.

House Bill 509 provided specific appropriations to legislative agencies, the Judiciary, and the university system to fund the pay plan increase. It appropriated the remainder to the Office of Budget and Program Planning (OBPP) for distribution to all other state agencies as Table 7 shows. While we had planned to include a table showing the allocation to each agency in this report, OBPP will not complete the allocations to agencies until late June.

Table 7
Pay Plan Allocations in House Bill 509

	- - Fiscal 1992 - -		- - Fiscal 1993 - -	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
Legislative Auditor	\$ 55,321	\$ 59,836	\$ 90,697	\$ 98,098
Legislative Fiscal Analyst	29,486		49,742	
Legislative Council	76,834		152,898	
Environmental Quality Council	11,763		18,618	
Consumer Counsel		7,167		11,734
Judiciary	72,569	16,802	122,084	28,266
University System	4,113,000	1,160,000	6,752,000	1,904,000
Office of Budget and Program Planning for Distribution to All Other Agencies	<u>8,603,027</u>	<u>11,843,195</u>	<u>13,727,961</u>	<u>18,844,902</u>
Total	\$12,962,000	\$13,087,000	\$20,914,000	\$20,887,000

PAY PLAN INCREASE

Table 8
12-Month Teacher Pay Schedules
1993 Biennium

-----Fiscal Year 1992-----						
Education Level						
STEP	BA	BA+1	BA+2	BA+3	MA	MA+1
1	\$21,476	\$22,135	\$22,777	\$23,098	\$23,421	\$24,080
2	22,231	22,947	23,664	24,023	24,386	25,129
3	22,986	23,777	24,559	24,973	25,387	26,202
4	23,742	24,620	25,485	25,942	26,398	27,272
5	24,502	25,485	26,417	26,912	27,410	28,344
6	25,290	26,361	27,352	27,886	28,422	29,416
7	26,080	27,230	28,281	28,857	29,431	30,484
8	26,874	28,103	29,217	29,831	30,445	31,554
9	27,667	28,974	30,149	30,801	31,458	32,625
10	28,460	29,850	31,080	31,773	32,467	33,697
11	29,255	30,692	32,009	32,744	33,479	34,766
12	29,255	30,692	32,009	32,744	33,479	34,766
13	29,255	30,692	32,009	32,744	33,479	34,766

-----1st half of Fiscal Year 1993-----
Applies to the period July 1, 1992 through December 31, 1992

STEP	BA	BA+1	BA+2	BA+3	MA	MA+1
1	\$21,996	\$22,655	\$23,297	\$23,618	\$23,941	\$24,600
2	22,751	23,467	24,184	24,543	24,906	25,649
3	23,506	24,297	25,079	25,493	25,907	26,722
4	24,262	25,140	26,005	26,462	26,918	27,792
5	25,022	26,005	26,937	27,432	27,930	28,864
6	25,810	26,881	27,872	28,406	28,942	29,936
7	26,600	27,750	28,801	29,377	29,951	31,004
8	27,394	28,623	29,737	30,351	30,965	32,074
9	28,187	29,494	30,669	31,321	31,978	33,145
10	28,980	30,370	31,600	32,293	32,987	34,217
11	29,775	31,212	32,529	33,264	33,999	35,286
12	29,775	31,212	32,529	33,264	33,999	35,286
13	29,775	31,212	32,529	33,264	33,999	35,286

-----2nd half of Fiscal Year 1993-----
Applies to the period January 1, 1993 through June 30, 1993

STEP	BA	BA+1	BA+2	BA+3	MA	MA+1
1	\$22,412	\$23,071	\$23,713	\$24,034	\$24,357	\$25,016
2	23,167	23,883	24,600	24,959	25,322	26,065
3	23,922	24,713	25,495	25,909	26,323	27,138
4	24,678	25,556	26,421	26,878	27,334	28,208
5	25,438	26,421	27,353	27,848	28,346	29,280
6	26,226	27,297	28,288	28,822	29,358	30,352
7	27,016	28,166	29,217	29,793	30,367	31,420
8	27,810	29,039	30,153	30,767	31,381	32,490
9	28,603	29,910	31,085	31,737	32,394	33,561
10	29,396	30,786	32,016	32,709	33,403	34,633
11	30,191	31,628	32,945	33,680	34,415	35,702
12	30,191	31,628	32,945	33,680	34,415	35,702
13	30,191	31,628	32,945	33,680	34,415	35,702

Annual Hours - 2080
Term - Twelve Months

Without Insurance
Matrix Type - Annual

PAY PLAN INCREASE

Table 9
9-Month Teacher Pay Schedules
1993 Biennium

-----Fiscal Year 1992-----						
Education Level						
Step	BA	BA+1	BA+2	BA+3	MA	MA+1
1	\$17,222	\$17,730	\$18,251	\$18,505	\$418,760	\$19,281
2	17,819	18,385	18,952	19,235	19,520	20,086
3	18,415	19,040	19,653	19,968	20,280	20,892
4	19,014	19,699	20,354	20,698	21,041	21,698
5	19,609	20,354	21,055	21,428	21,802	22,505
6	20,207	21,013	21,759	22,160	22,563	23,311
7	20,801	21,666	22,458	22,891	23,323	24,115
8	21,399	22,324	23,162	23,623	24,086	24,920
9	21,996	22,979	23,863	24,354	24,847	25,741
10	22,593	23,637	24,564	25,084	25,619	26,590
11	23,190	24,272	25,266	25,835	26,417	27,433
12	23,190	24,272	25,266	25,835	26,417	27,433
13	23,190	24,272	25,266	25,835	26,417	27,433

-----1st half of Fiscal Year 1993-----
Applies to the period July 1, 1992 through December 31, 1992

Step	BA	BA+1	BA+2	BA+3	MA	MA+1
1	\$17,612	\$18,120	\$18,641	\$18,895	\$19,150	\$19,671
2	18,209	18,775	19,342	19,625	19,910	20,476
3	18,805	19,430	20,043	20,358	20,670	21,282
4	19,404	20,089	20,744	21,088	21,431	22,088
5	19,999	20,744	21,445	21,818	22,192	22,895
6	20,597	21,403	22,149	22,550	22,953	23,701
7	21,191	22,056	22,848	23,281	23,713	24,505
8	21,789	22,714	23,552	24,013	24,476	25,310
9	22,386	23,369	24,253	24,744	25,237	26,131
10	22,983	24,027	24,954	25,474	26,009	26,980
11	23,580	24,662	25,656	26,225	26,807	27,823
12	23,580	24,662	25,656	26,225	26,807	27,823
13	23,580	24,662	25,656	26,225	26,807	27,823

-----2nd half of Fiscal Year 1993-----
Applies to the period January 1, 1993 through June 30, 1993

Step	BA	BA+1	BA+2	BA+3	MA	MA+1
1	\$17,924	\$18,432	\$18,953	\$19,207	\$19,462	\$19,983
2	18,521	19,087	19,654	19,937	20,222	20,788
3	19,117	19,742	20,355	20,670	20,982	21,594
4	19,716	20,401	21,056	21,400	21,743	22,400
5	20,311	21,056	21,757	22,130	22,504	23,207
6	20,909	21,715	22,461	22,862	23,265	24,013
7	21,503	22,368	23,160	23,593	24,025	24,817
8	22,101	23,026	23,864	24,325	24,788	25,622
9	22,698	23,681	24,565	25,056	25,549	26,443
10	23,295	24,339	25,266	25,786	26,321	27,292
11	23,892	24,974	25,968	26,537	27,119	28,135
12	23,892	24,974	25,968	26,537	27,119	28,135
13	23,892	24,974	25,968	26,537	27,119	28,135

Annual Hours - 1560
Term - Nine Months

Without Insurance
Matrix Type - Annual

PAY PLAN INCREASE

Table 10
Blue Collar and Retail Clerk Pay Matrices
1993 Biennium

Pay Matrix - Blue Collar			Pay Matrix - Retail Clerk		
Fiscal Year 1991-----					
GRADE	\$/Hour No Ins.	Annual Pay	GRADE	\$/Hour No Ins.	Annual Pay
B1	\$ 8.635	\$17,961	L1	\$ 0.000	\$ 0
B2	9.035	18,793	L2	8.160	16,973
B3	9.435	19,625	L3	8.660	18,013
B4	9.835	20,457	L4	8.940	18,595
B5	10.235	21,289	L5	9.230	19,198
B6	10.635	22,121	L6	9.840	20,467
B7	11.035	22,953	L7	10.500	21,840
B8	11.435	23,785	L8	11.250	23,400
B9	11.835	24,617			
B10	12.235	25,449			
B11	12.635	26,281			
B12	13.035	27,113			
B00	13.435	27,945			

-----FY 1993 - July 1 - December 30, 1992-----					
B1	\$ 8.885	\$18,481	L1	\$ 0.000	\$ 0
B2	9.285	19,313	L2	8.410	17,493
B3	9.685	20,145	L3	8.910	18,533
B4	10.085	20,977	L4	9.190	19,115
B5	10.485	21,809	L5	9.480	19,718
B6	10.885	22,641	L6	10.090	20,987
B7	11.285	23,473	L7	10.750	22,360
B8	11.685	24,305	L8	11.500	23,920
B9	12.085	25,137			
B10	12.485	25,969			
B11	12.885	26,801			
B12	13.285	27,633			
B00	13.685	28,465			

-----FY 1993 - January 1 - June 30, 1993-----					
B1	\$ 9.085	\$18,897	L1	\$ 0.000	\$ 0
B2	9.485	19,729	L2	8.610	17,909
B3	9.885	20,561	L3	9.110	18,949
B4	10.285	21,393	L4	9.390	19,531
B5	10.685	22,225	L5	9.680	20,134
B6	11.085	23,057	L6	10.290	21,403
B7	11.485	23,889	L7	10.950	22,776
B8	11.885	24,721	L8	11.700	24,336
B9	12.285	25,553			
B10	12.685	26,385			
B11	13.085	27,217			
B12	13.485	28,049			
B00	13.885	28,881			

Annual Hours - 2080
Note: Without Insurance
Matrix Type - Hourly

STATE EMPLOYEES (FTE)

Full Time Equivalents (FTE)

House Bill 2 increases the number of state employees by less than 2 percent over the fiscal 1991 level. The increase is primarily due to new federal mandates, increased federal funding, and the implementation of new legislation passed by the 1991 legislature. However, the legislature also approved a number of new FTE for state institutions and environmental, public land-related, and human service programs.

As Table 1 shows, House Bill 2 authorizes 11,507.98 FTE in fiscal 1992 and 11,490.48 FTE in fiscal 1993. Excluded from this total are FTE employed by the six university units and the experiment stations. Since these FTE are not on the state personnel control system and won't be recorded on the Regents Employee Reporting System (RERS) until fiscal 1992, accurate counts of university FTE are not currently available.

Table 1
FTE Funded in General Appropriation Act
(Excludes University System)

	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>
HB100/HB2	11,292.71*	11,507.98	11,490.48
Increase over FY91		+215.27	+197.77

*Does not include FTE added through budget amendment, legislative contract authority, or other operational plan changes.

The total number of FTE is 215.27 higher in fiscal 1992 and 197.77 higher in fiscal 1993 than approved in House Bill 100 for fiscal 1991.

Federal Mandates and Increased Federal Funds

The Department of Health and Environmental Sciences (DHES) experienced the largest percentage FTE increase--a 28.8 percent increase from 300.35 to 386.94 FTE. Of this increase, 30.5 FTE were added to ensure that Montana retained its lead status in the regulation and enforcement of various environmental programs such as water, air, and solid waste. During the 1991 biennium, DHES added 17.0 FTE for this purpose by budget amendment and operational plan change. A further 5.0 FTE were added to environmental programs as a result of other federal mandates.

The legislature also approved addition of 15.0 FTE in DHES to continue implementation of new programs and

expanded certification requirements mandated in the federal Omnibus Budget and Reconciliation Act (OBRA) of 1987. These positions were originally added via budget amendment in fiscal 1991, in addition to the 6.0 FTE authorized by the 1989 legislature to address changes due to OBRA.

In late 1990, the Federal Highway Administration significantly increased federal aid funding for states to spend down the federal highways trust fund that had amassed a large surplus due to restrictions on spending imposed by the Gramm-Rudman Deficit Reduction Act. Montana will receive approximately \$20 million more federal funds per year for the next three to five years under this program. The legislature approved 23.95 additional FTE in fiscal 1992 and 26.25 FTE in fiscal 1993 as part of this expanded highway program.

The legislature also added 6.5 FTE to implement new federally funded programs within the Office of Public Instruction.

STATE EMPLOYEES (FTE)

State Initiatives

Environment, Public Lands, and Recreation

Reflecting the importance of Montana's public and recreation lands to the state's economy, the legislature approved the addition of over 50.0 FTE in the Departments of State Lands and Fish, Wildlife, and Parks; and environmental programs in DHES.

The legislature approved the addition of 9.0 FTE in fiscal 1992 (increasing to 10.0 FTE in fiscal 1993) and \$4.9 million for the biennium for research and litigation efforts in the natural resource damage assessment filed by the state against the Atlantic Richfield Corporation (ARCO) for alleged damage to the Clark Fork River Basin from mining operations during the last century. The trial on the cost is scheduled for May 1993. The state is seeking damages in excess of \$50 million in the case. The legislature specified that the suit include reimbursement of all costs associated with the assessment and litigation of the case.

The legislature approved an additional 5.0 FTE in DHES to continue activities associated with Superfund clean-up at Burlington Northern and ARCO sites. These FTE are funded by reimbursements from the companies.

The legislature approved the addition of 23.02 FTE in 1992 and 29.68 FTE in fiscal 1993 to the Department of State Lands to assist Montana's basic industries and to improve administration of state lands. In order to speed the mine permitting process, the legislature approved the addition of 9.62 FTE in fiscal 1992 and 12.0 FTE in fiscal 1993. It also added 8.9 FTE in fiscal 1992 (growing to 10.68 FTE in fiscal 1993) to provide increased assistance to

Montana's timber industry and in county fire protection.

Lastly, the legislature approved the continuation of 10.9 FTE added by budget modifications in 1989 and the addition of 15.71 additional FTE to the Department of Fish, Wildlife, and Parks for a variety of programs benefitting users of Montana's wildlife and park resources.

Human Services

The legislature added 21.11 new FTE in the Department of Family Services to strengthen delivery of services and management capabilities. The additional staff include 8 new social workers, 4.36 additional staff at Pine Hills and Mountain View, and 6 additional management positions.

In the Department of Social and Rehabilitation Services (SRS), 8.0 FTE were added to increase services to the Montana developmentally disabled community. This was offset by FTE reductions in other programs.

In the Department of Institutions, 57.2 new FTE were added by fiscal 1993. The majority of these new positions (46) were added to the Corrections Division for increased populations at the men's and women's prisons and for new programs designed to offer alternatives to imprisonment. The additions partially offset reductions at the Montana Development Center.

In the Department of Labor and Industry, 6.0 FTE were added to provide job training and adjustment services to laid-off employees. The FTE increase in this program was offset by reductions in other programs.

Fiscal Control and Collection

The legislature approved 11.33 new FTE in fiscal 1992 and 11.0 in fiscal 1993

STATE EMPLOYEES (FTE)

for the Department of Revenue to enhance tax administration and collection efforts.

An additional 4.0 FTE were authorized for the Office of Public Instruction to provide new financial management support and control of state funds distributed to school districts throughout the state.

The legislature approved the continuation of 42.4 FTE in the State Fund added by budget amendment during the 1991 biennium to improve operations of the state's workers' compensation insurance system.

New Legislation

The legislature approved the addition of 54.0 FTE in fiscal 1992 and 58.0 FTE in fiscal 1993 to implement new legislation passed during the session.

Much of this increase was in the Department of Justice. The legislature

increased driver's license fees by \$1 per year, with the revenue to be used for the addition of 20.2 new FTE at drivers' exam express stations throughout the state. The legislature also approved the addition of 3.0 FTE to the Fire Marshall's Bureau within the department, funded by an increase in the insurance paid on fire protection premiums.

In addition, the Department of Justice was authorized additional FTE for existing programs. Four additional highway patrol officers, four additional dispatchers, and five additional gambling control staff were approved for the 1993 biennium.

Comparisons to Executive Budget

Table 2 compares the number of FTE requested in the revised Executive Budget to the number authorized in House Bill 2 as approved by the legislature.

Table 2
Comparison of FTE
HB2 and Revised Executive Budget*

	<u>Revised Executive Budget</u>	<u>HB2</u>	<u>Difference</u>
<u>FY92</u>			
Current Level	10,870.60	11,088.84	218.24
Budget Modification	<u>387.22</u>	<u>419.14</u>	<u>31.92</u>
Total	11,257.82	11,507.98	250.16
<u>FY93</u>			
Current Level	10,809.81	11,047.01	237.20
Budget Modification	<u>407.40</u>	<u>443.47</u>	<u>36.07</u>
Total	11,217.21	11,490.48	273.27

* Excludes University System

**Based on printed Executive Budget and the OBPP-approved revisions presented to the subcommittees

In addition to FTE requested in the revised Executive Budget, state agencies requested 68.79 FTE in fiscal 1992 and 68.81 in fiscal 1993 to implement bills

passed by the 1991 legislature. The legislature approved the addition of 54.0 FTE in fiscal 1992 and 58.0 FTE in

STATE EMPLOYEES (FTE)

fiscal 1993 for this purpose in House Bill 2.

As Table 3 shows, the primary reasons for the differences between the current

level FTE continued in the revised Executive Budget and FTE authorized in House Bill 2 are legislative decisions to continue current operations at the Montana State Hospital at Galen and at state liquor stores.

Table 3
Major FTE Reductions
Proposed in Executive Budget

	<u>FY92</u>	<u>FY93</u>
Closure of Galen	185.42	185.42
<u>Liquor Store Privatization</u>	<u>13.0</u>	<u>39.0</u>

Table 4 shows the number of FTE authorized for each state agency in House Bill 2, compared to the number authorized in fiscal 1991 in House Bill 100. This table does not include FTE

added in fiscal 1991 through budget amendment or operational plan changes. Also excluded from this table are FTE authorized through statutory appropriations or in miscellaneous appropriation bills.

STATE EMPLOYEES (FTE)

Table 4
FTE by Agency
Fiscal 1991 through Fiscal 1993

Agency*	(HB100) FTE Fiscal 1991	(HB2) FTE Fiscal 1992	(HB2) FTE Fiscal 1993	Increase (Decrease) FY91-93
Legislative Auditor	60.00	67.50	67.50	7.50
Legislative Fiscal Analyst	18.00	17.50	18.00	0.00
Legislative Council	53.70	45.70	53.70	0.00
Environmental Quality Council	6.50	7.00	7.00	0.50
Consumer Counsel	4.25	4.25	4.25	0.00
Judiciary	88.50	91.50	92.00	3.50
Governor's Office	60.20	59.50	59.50	(0.70)
Secretary of State	26.00	35.25	35.25	9.25
Commissioner of Political Practices	3.00	3.50	3.00	0.00
State Auditor	67.50	70.00	70.00	2.50
Office of Public Instruction	124.40	140.23	140.23	15.83
Vocational Technical Centers	264.07	274.74	274.24	10.17
Crime Control Division	16.00	18.00	18.00	2.00
Highway Traffic Safety	8.50	8.50	8.50	0.00
Department of Justice	600.50	645.40	638.40	37.90
Public Service Regulation	46.00	47.00	47.00	1.00
Board of Public Education	4.00	4.00	4.00	0.00
Commissioner of Higher Education	60.15	67.45	66.95	6.80
School for the Deaf and Blind	84.54	85.38	85.38	0.84
Montana Arts Council	7.97	7.97	7.97	0.00
Library Commission	29.35	29.50	29.50	0.15
Council on Vocational Education	2.50	2.50	2.50	0.00
Historical Society	48.78	47.88	47.88	(0.90)
Fire Services Training School	5.00	5.00	5.00	0.00
Dept. of Fish, Wildlife and Parks	537.42	553.03	553.13	15.71
Dept. of Health and Environ. Sciences	300.35	384.94	386.94	86.59
Dept. of Highways	1,933.83	1,957.78	1,960.08	26.25
Dept. of State Lands	336.69	359.71	366.37	29.68
Dept. of Livestock	118.71	119.71	117.71	(1.00)
Dept. of Nat. Resources and Conservation	262.20	262.20	262.20	0.00
Dept. of Revenue**	800.58	788.41	788.08	(12.50)
Dept. of Administration	354.59	318.14	322.14	(32.45)
Public Employees Retirement Board	20.00	20.00	20.00	0.00
Teachers Retirement Board	11.50	11.50	11.50	0.00
Dept. of Agriculture	92.59	99.04	99.09	6.50
Dept. of Institutions	2,084.18	2,051.82	2,017.29	(66.89)
Dept. of Commerce	336.70	348.30	350.80	14.10
Dept. of Labor and Industry	656.50	639.00	639.00	(17.50)
State Mutual Insurance Fund	175.50	218.90	217.90	42.40
Dept. of Military Affairs	97.75	99.75	99.75	2.00
Dept. of Social and Rehab. Services	921.72	906.90	909.15	(12.57)
Dept. of Family Services	562.49	583.60	583.60	21.11
Total FTE	11,292.71	11,507.98	11,490.48	197.77

* Excludes University System

**Includes liquor store employees

TRUST FUNDS-INTEREST AND BALANCES

Trust Fund Balances

Montana has a number of constitutional and statutory trusts that provide interest to fund current state government operations. While the legislature has spent the principal of the education trust and slowed the flow of revenue into the park acquisition trust for several years, substantial balances remain. By the end of the 1993 biennium, these trust balances will total nearly \$1 billion.

Table 1 shows the history of the six major trusts since fiscal 1973. Forecasted amounts are shown for fiscal 1991 through fiscal 1993. Following is a description of each trust and the income it generates.

Constitutional Trusts

Permanent Coal Tax Trust

Article IX, Section 5 requires that 50 percent of all coal severance tax revenue be deposited in a permanent trust fund and that the principal of the trust "shall forever remain inviolate unless appropriated by a three-fourths vote of each house." By statute, interest on this trust is distributed 85 percent to the general fund and 15 percent to the school equalization account.

The interest earned on this trust is an important general fund revenue source. During the period fiscal 1978 through fiscal 1990, \$276.3 million in interest from this trust was deposited in the general fund. In fiscal 1990, permanent coal tax trust interest provided 10 percent of total revenue to the general fund.

Initiative 95, approved by voters in 1982, requires that 25 percent of the revenue deposited in the permanent coal tax trust after June 30, 1983, be placed in the in-state investment trust fund for investment in the Montana economy "with special emphasis on investments in new or expanding locally owned enterprises." Through fiscal 1990, the Board of Investments had invested nearly

\$70 million from the in-state investment fund in Montana businesses.

The 1989 legislature authorized the Montana Science and Technology Alliance to use \$7.5 million from the in-state investment fund for investment in new and expanding technology-based Montana businesses. In Senate Bill 242, the 1991 legislature added \$5.1 million from the in-state investment fund for research and development project loans granted by the Alliance.

Coal tax revenue flowing into the permanent trust is also used to secure state bonds issued to finance water resource development projects and activities. Since 1981 when the legislature authorized this bonding program, \$32.7 million in water development projects throughout the state have been authorized with revenue from these bonds.

The Executive Budget proposed to "cap" the permanent coal tax trust to fund the Big Sky Dividend local infrastructure program. This proposal was not approved by the legislature.

Common School Trust

Article X, Sections 2 and 3 require that all royalties and other proceeds received from school lands granted to the state under the federal enabling act must be deposited in the common school trust fund and "shall forever remain inviolate, guaranteed by the state against loss or diversion." Article X, Section 5 requires that 95 percent of the interest from this trust be used for school equalization, with the remaining 5 percent reinvested in the trust.

Resource Indemnity Trust

Article IX, Section 2 and Title 35, Chapter 38, MCA, requires that all collections from the resource indemnity tax on minerals be placed in a trust. The trust "shall forever remain inviolate" until the principal reaches \$100 million, at which point the tax may be spent. The trust is expected to reach \$100 million during the next several years.

TRUST FUNDS-INTEREST AND BALANCES

The "Resource Indemnity Trust Fund Interest Accounts" section discusses the statutory allocation of interest earned on this trust.

Statutory Trusts

Education Trust

From fiscal 1976 through 1986, a portion of the revenue from coal severance tax was allocated to the education trust for the support of education. The legislature appropriated the corpus of this trust to the school equalization account during the period fiscal 1987 through 1990.

Park Acquisition Trust

During most of the last 15 years, a portion of the coal severance tax has been earmarked for the parks acquisition trust. During the late 1980's, the flow of revenue into this account was diverted to the general fund. However,

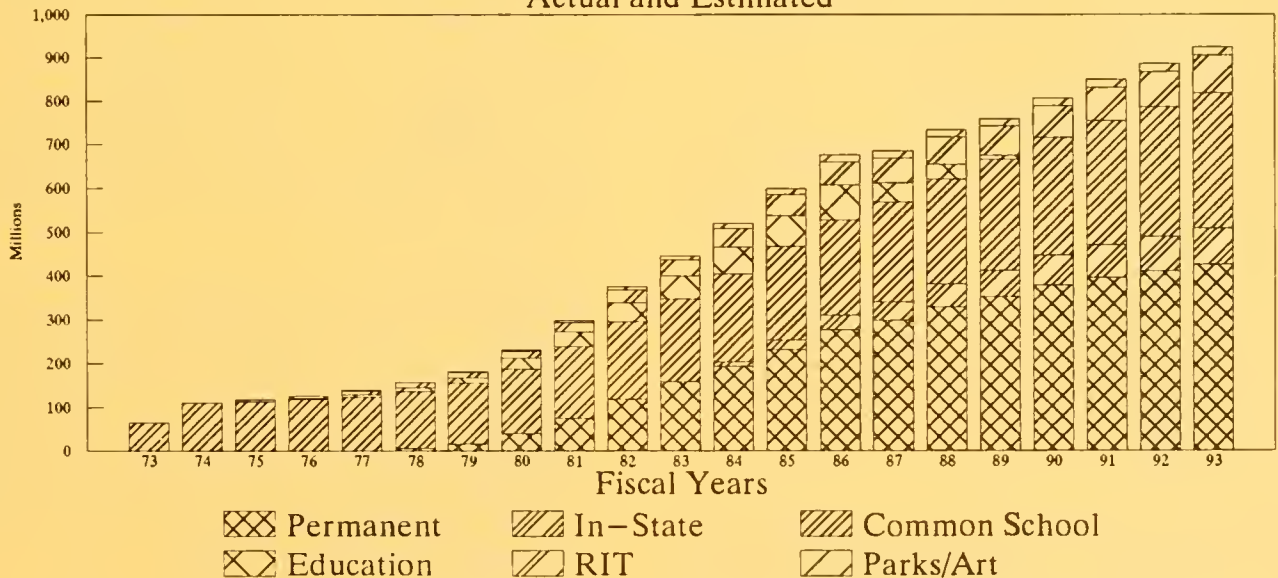
the principal began to grow again in fiscal 1990. Prior to fiscal 1992, interest from this trust is statutorily allocated two-thirds for acquisition and operation of state parks and one-third to protection of works of art in the state capitol and other cultural and aesthetics projects.

In House Bill 1008, the 1991 legislature split the principal of this trust into two separate trusts: a park acquisition trust and an arts protection trust. Beginning in fiscal 1992, 0.63346 percent of coal severance tax revenues will be deposited in the arts protection trust, with the trust interest continuing to be used for protection of works of art and cultural projects. During the 1993 biennium, the coal tax revenue that would have flowed into the park acquisition trust (1.26654 percent) will be spent for maintenance of parks and historic sites, along with the interest from the trust. In 1995, the coal tax revenue allocation will again be deposited in the trust.

TRUST FUNDS--INTEREST AND BALANCES

Fiscal Year	Permanent Coal Tax Trust Fund	In-State Investment Trust Fund	Common School Trust Fund	Education Trust Fund	Resource Indemnity Trust Fund	Parks Acquisition Trust Fund	Arts Protection Trust Fund	Total Trust Funds
A 73	\$0	\$0	\$64,223,773	\$0	\$0	\$0	\$0	\$64,223,773
A 74	0	0	108,998,870	0	1,141,385	0	0	110,140,255
A 75	0	0	113,064,188	0	3,287,456	0	0	116,351,644
A 76	0	0	117,849,628	2,227,793	5,552,291	278,725	0	125,908,437
A 77	0	0	123,281,528	6,039,530	8,232,247	758,308	0	138,311,613
A 78	6,268,262	0	129,949,247	8,983,763	10,646,851	1,174,356	0	157,022,479
A 79	16,940,538	0	137,716,735	12,339,549	12,574,209	1,475,732	0	181,046,763
A 80	39,964,765	0	147,527,943	23,905,146	16,204,531	3,565,371	0	231,167,756
A 81	75,187,459	0	163,163,556	33,624,170	21,165,464	5,325,746	0	298,466,395
A 82	118,336,314	0	176,467,865	44,338,477	28,328,946	7,480,418	0	374,952,020
A 83	158,358,806	0	189,390,417	52,665,410	36,181,889	9,481,542	0	446,078,064
A 84	192,761,293	10,175,065	201,319,109	60,925,268	42,986,128	11,565,460	0	519,732,323
A 85	230,599,696	21,820,828	214,764,544	70,500,922	47,396,179	13,859,181	0	598,941,350
A 86	276,734,249	32,650,001	217,677,906	79,761,708	53,039,675	16,222,131	0	676,085,670
A 87	297,844,102	42,039,078	227,687,073	44,091,429	56,861,627	16,613,608	0	685,136,917
A 88	328,950,439	52,229,848	239,553,633	33,671,110	61,750,961	16,581,042	0	732,737,033
A 89	352,330,943	59,508,050	254,128,428	8,651,477	66,665,000	16,608,706	0	757,892,604
A 90	378,543,232	67,968,184	268,496,362	0	72,811,618	17,936,701	0	805,756,097
F 91	396,314,851	73,892,057	282,093,660	0	77,779,425	18,857,242	0	848,937,235
F 92	410,409,486	78,590,269	295,690,958	0	82,751,597	12,571,495	6,530,195	886,543,999
F 93	424,489,780	83,283,700	309,288,256	0	87,682,863	12,571,495	6,773,580	924,089,674

HISTORY OF TRUST FUND BALANCES Actual and Estimated



RESOURCE INDEMNITY TRUST INTEREST ACCOUNTS

RIT Trust

Article IX, Section 2 of the Montana constitution provides that certain taxes on the extraction of natural resources be deposited in a Resource Indemnity Tax (RIT) Trust. The principal of the trust up to \$100 million "shall remain forever inviolate..., guaranteed by the state against loss or diversion." Title 15, Chapter 38, MCA, provides for a resource indemnity tax of 0.5 percent on all mineral production except production from metalliferous mines. These revenues are deposited in the trust until the principal reaches \$100 million. After the principal reaches \$100 million, the tax revenue may be appropriated.

Allocation of RIT Interest

The interest earned on the trust must be used "to improve the total environment and rectify damage thereto." Section 15-38-202, MCA, earmarks these interest earnings in the following manner:

- 1) An amount not to exceed \$175,000 to the environmental contingency fund;
- 2) Beginning in fiscal 1992, an amount not to exceed \$50,000 to the oil and gas mitigation account;
- 3) Of the remainder:
 - a) 30 percent for water development;
 - b) 46 percent for reclamation and development grants and related administration;
 - c) 12 percent for hazardous waste and superfund activities;
 - d) 4 percent for environmental quality protection; and
 - e) 8 percent for renewable resource grants and loans and related administration.

RIT Interest Accounts

Three accounts which receive a portion of the Resource Indemnity Trust interest are used to make grants and loans for

natural resource projects: 1) the water development account; 2) the renewable resource development account; and 3) the reclamation and development account. All grants from these accounts require legislative approval.

The following table shows anticipated revenue and appropriations from these accounts during the 1993 biennium.

Water Development Account

The water development account was created to advance the beneficial use of water by financing water development projects and activities. Revenue sources include 30 percent of RIT interest, 0.475 percent of coal severance tax collections, loan repayments, income from state-owned water projects, and administrative fees.

Renewable Resource Development Account

The 1975 legislature established the renewable resource development loan and grant program to provide financial assistance to public entities for development and protection of renewable natural resources. The grant program is financed from the renewable resource development account, which receives 8 percent of the RIT interest, 0.475 percent of coal severance tax collections, interest on bond proceeds, and loan repayments.

Reclamation and Development Account

The reclamation and development account is funded with 46 percent of RIT interest and is used to fund projects to repair, reclaim, or mitigate damage caused by natural resource extraction.

Beginning in the 1995 biennium, Senate Bill 94 passed by the 1991 legislature provides that the RIT tax will be called the Resource Indemnity and Groundwater assessment tax (RIGWA), with 14.1 percent of its proceeds deposited into a newly-created groundwater assessment account. This allocation will continue until the account balance reaches \$666,000. When the cash balance of the account exceeds \$666,000, all tax revenue is deposited into the RIT trust.

Table 1
Resource Indemnity Trust Interest Accounts
1993 Biennium

	<u>Reclamation/ Development</u>	<u>Water Development</u>	<u>Renewable Resource</u>	<u>Hazardous Waste/CERCLA</u>	<u>EQPF</u>
Beginning Balance	\$576,023	\$674,062	\$0	\$749,198	\$828,358
<u>Revenues</u>					
RIT Interest	7,733,095	5,043,323	1,344,886	2,017,330	672,444
Coal Tax		365,778	365,778		
Loan Repayments		950,670	129,870		
Bond Proceeds Interest		50,000			
Administrative Fees		<u>935,400</u>		<u>126,358</u>	<u>2,139,031</u>
Project Revenues/Income/Savings					
TOTAL REVENUES	\$7,733,095	\$7,345,171	\$1,840,534	\$2,143,688	\$2,811,475
TOTAL FUNDS AVAILABLE	<u>\$8,309,118</u>	<u>\$8,019,233</u>	<u>\$1,840,534</u>	<u>\$2,892,886</u>	<u>\$3,639,833</u>
<u>Appropriations</u>					
Debt Service		\$1,229,694	\$380,231		
House Bill 2			436,114		
DNRC	3,397,758	4,459,138			
State Lands	1,675,540			1,867,906	2,606,097
Health		977,425	<u>198,273</u>		
Water Courts					
State Library	<u>175,472</u>				
Total House Bill 2	\$5,248,770	\$5,436,563	\$634,387	\$1,867,906	\$2,606,097
Reserved for Water Storage - SB 313*		\$338,244	\$206,479		
Ending Balance/Avail for Grants	\$3,060,348	\$1,014,732	\$619,437	\$1,024,980	\$1,033,736
House Bill 6		889,812	1,276,966		
House Bill 8	<u>4,160,773</u>				
Total Grants	\$4,160,773	\$889,812	\$1,276,966	\$0	\$0
TOTAL APPROPRIATIONS	<u>\$9,409,543</u>	<u>\$7,894,313</u>	<u>\$2,498,063</u>	<u>\$1,867,906</u>	<u>\$2,606,097</u>
ENDING FUND BALANCE	(\$1,100,425)	\$124,920	(\$657,529)	\$1,024,980	\$1,033,736

*Senate Bill 313 reserves 25 percent of the total amount available for grants from the Water Development and Renewable Resource accounts for water storage project to be spent not prior to fiscal 1994.

EXPENDITURE LIMITATION

1993 Budget Below Limit

The budget for the 1993 biennium is 6.1 percent or \$163.5 million below the statutory expenditure limit. The growth in anticipated state spending between the 1991 and 1993 biennia will be less than the growth in Montana personal income during the last three year period.

Calculation of Limit

Section 17-8-106, MCA, limits the increase in biennial appropriations from the general fund, state special revenue, and the cash portion of the capital projects fund to the growth in Montana's personal income. The following types of appropriations are not subject to the limit:

- 1) money received from the federal government;
- 2) payments on bonded indebtedness;

3) money paid for unemployment or disability benefits;

4) money received from sale of goods or services;

5) money paid from permanent endowments;

6) proceeds from gifts or bequests;

7) money appropriated for tax relief; and

8) funds transferred within state government or purchases of goods for resale.

Four calculations are required to determine the expenditure limit:

- 1) Determine the base appropriation level for the current biennium by summing appropriations for the general fund, state special revenue accounts, and the cash portion of the capital projects fund, excluding the items listed above.

EXPENDITURE LIMITATION

Table 1
Base Appropriations
1991 Biennium
(In Millions)

	- - Fiscal Year - -		
	<u>1990</u>	<u>1991</u>	<u>Biennium</u>
1991 Appropriations			
General Fund	\$453.921	\$483.918	\$ 937.839
State Special	749.891	857.879	1,607.770
Capital Projects(cash)			5.523
Supplementals & Feed Bill			<u>24.345</u>
Total Appropriations			\$2,575.477
Exclusions			
Federal Funds			
Debt Service	\$(23.807)	\$(23.812)	\$(47.619)
Unemployment Benefits			
Sale of Goods			
Permanent Trust Payments			
Gifts or Bequests	(0.245)	(0.169)	(0.414)
Tax Relief Payments			
Transfers	(74.883)	(52.400)	<u>(127.283)</u>
Total Exclusions			\$175.316
Base 1991 Appropriations			\$2,400.161

2) Determine the growth in personal income for the three years preceding the current biennium (1986, 1987, and 1988) and the three years preceding the next biennium (1988, 1989, and 1990). The growth in Montana's personal income between these two periods is 12.28 percent.

Based on this growth in personal income, the expenditure limit for the 1993 biennium is \$2,694.9 million.

3) Determine the base appropriation included in the Executive Budget for the 1993 biennium.

<u>Year</u>	<u>Montana Personal Income</u>	<u>3 Year Average Income</u>
1986	\$ 9,587,581	
1987	9,979,768	
1988	10,361,148	\$ 9,976,166
1989	11,341,578	
1990	11,902,294	11,201,674

4) Subtract the base 1993 appropriation level from the 1993 expenditure limit. This difference is \$163.515 million.

EXPENDITURE LIMITATION

Table 2
Base Appropriations
1993 Biennium
(In Millions)

	- - Fiscal Year - -		
	<u>1992</u>	<u>1993</u>	<u>Biennium</u>
1993 Appropriations			
General Fund	\$501.637	\$514.062	\$1,015.699
State Special*	766.774	755.659	1,522.433
Capital Projects (cash)			7.863
Six Mill Levy Approp.	\$ 11.887	\$ 12.131	24.018
Other University			17.120
Pay Plan**			<u>33.974</u>
Total Appropriations			\$2,621.107
Exclusions			
Federal Funds			
Debt Service			
Unemployment Benefits			
Sale of Goods			
Permanent Trust Payments			
Gifts or Bequests			
Tax Relief Payments			
Transfers	(43.669)	(46.052)	<u>(89.721)</u>
Total Exclusions			\$ (89.721)
Base 1993 Appropriations			\$2,531.386

* Assumes some state special appropriations at fiscal 1991 level.

**Includes entire "other fund" appropriation in HB509, since OBPP has not yet determined the portion funded with federal and proprietary funds.

AGENCY BUDGETS BY FUND TYPE

General Fund

The following table shows the general fund appropriations for all state agencies for fiscal 1992 and fiscal 1993 contained in House Bill 2. The Executive Budget recommendation for each agency includes the major revisions to the Executive Budget announced in late January 1991. However, it does not include the smaller revisions approved by the Office of Budget and Program Planning during the legislative session.

The substantial difference between the Executive Budget recommendation and the general fund appropriated in House Bill 2 for the Commissioner of Higher Education (CHE) is primarily due to ac-

counting differences. The Executive Budget included the general fund appropriations for the university system and vocational technical centers as a transfer from the CHE to each unit's or center's current unrestricted account. House Bill 2 includes a general fund appropriation to each unit or center.

This difference between the Executive Budget's handling of various funds for the university system and vo-techs and the legislative appropriation makes comparison difficult. In Volume II, page E-61, the Executive Budget recommendation for all fund types is compared to legislative action in House Bill 2 for the university system, the vocational-technical centers, and the CHE.

AGENCY BUDGETS BY FUND TYPE

Agency Name	Executive Recommended Fiscal 1992	Executive Recommended Fiscal 1993	Legislature Appropriated Fiscal 1992	Legislature Appropriated Fiscal 1993	Executive Recommended Fiscal 92-93	Legislature Appropriated Fiscal 92-93	Legislature Over (Under) Executive
1101 Legislative Auditor	1,292,963	1,286,355	1,216,997	1,210,563	2,579,318	2,427,560	(151,758)
1102 Legislative Fiscal Analyst	814,162	861,915	864,517	872,861	1,676,077	1,737,378	61,301
1104 Legislative Council	1,900,931	2,359,051	2,092,448	2,019,255	4,259,982	4,111,703	(148,279)
1111 Environmental Quality Council	266,170	262,161	285,473	283,275	528,331	568,748	40,417
2110 Judiciary	8,012,874	7,995,878	8,008,765	8,348,037	16,008,752	16,356,802	348,050
3101 Governors Office	3,659,264	3,548,231	2,596,321	2,432,856	7,207,495	5,029,177	(2,178,318)
3201 Secretary of States Office	933,490	983,254	1,027,283	956,000	1,916,744	1,983,283	66,539
3202 Commissioner of Political Practice	113,645	115,396	169,704	113,521	229,041	283,225	54,184
3401 State Auditors Office	2,506,710	2,425,553	2,303,414	2,141,084	4,932,263	4,444,498	(487,765)
3501 Office of Public Instruction	45,316,335	45,259,174	48,048,246	44,018,168	90,575,509	92,066,414	1,490,905
3511 Billings Vocational Technical School			1,239,560	1,198,920		2,438,480	2,438,480
3512 Butte Vocational Technical School			1,459,612	1,463,460		2,923,072	2,923,072
3513 Great Falls Vocational Technical School			1,578,514	1,586,011		3,164,525	3,164,525
3514 Helena Vocational Technical School			2,025,344	1,948,771		3,974,115	3,974,115
3515 Missoula Vocational Technical School			2,053,906	1,952,924		4,006,830	4,006,830
4107 Crime Control Division	483,360	510,876	486,644	502,036	994,236	988,680	(5,556)
4108 Highway Traffic Safety	400,000	400,000	199,000	199,000	800,000	398,000	(402,000)
4110 Department of Justice	11,005,479	11,038,966	11,635,646	11,625,721	22,044,445	23,261,367	1,216,922
4201 Public Service Regulation	1,965,982	2,096,258	2,096,986	1,949,128	4,062,240	4,046,114	(16,126)
5101 Board of Public Education	122,301	122,130	118,702	114,001	244,431	232,703	(11,728)
5102 Commissioner of Higher Education	119,027,505	118,444,507	10,894,523	11,139,398	237,472,012	22,033,921	(215,438,091)
5103 University of Montana			29,171,950	28,963,915		58,135,865	58,135,865
5104 Montana State University			36,746,398	36,342,254		73,088,652	73,088,652
5105 Mont College of Min Sc & Tech			7,429,174	7,336,203		14,765,377	14,765,377
5106 Eastern Montane College			10,934,381	10,645,615		21,579,996	21,579,996
5107 Northern Montana College			6,129,327	6,036,529		12,165,856	12,165,856
5108 Western Montana College			3,510,850	3,436,280		6,947,130	6,947,130
5109 Agricultural Experiment Station			7,338,082	7,358,615		14,696,697	14,696,697
5110 Cooperative Extension Service			2,778,004	2,769,940		5,547,944	5,547,944
5111 Forestry & Cons Experiment Station			711,138	711,940		1,423,078	1,423,078
5112 Bureau of Mines			1,288,493	1,289,384		2,577,877	2,577,877
5113 School For The Deaf & Blind	2,623,324	2,622,323	2,620,029	2,581,669	5,245,647	5,201,698	(43,949)
5114 Montana Arts Council	133,695	134,476	139,513	121,921	268,171	261,434	(6,737)
5115 Library Commission	957,759	962,091	1,254,844	993,036	1,919,850	2,247,880	328,030
5117 Historical Society	1,260,571	1,233,542	1,272,078	1,227,647	2,494,113	2,499,725	5,612
5119 Fire Services Training School			238,804	219,064		457,868	457,868
5201 Department of Fish, Wildlife & Parks	750,000	750,000	423,055	423,064	1,500,000	846,119	(653,881)
5301 Department Health & Environ Sciences	2,897,312	2,946,151	3,606,644	3,599,368	5,843,463	7,206,012	1,362,549
5401 Department of Highways	589,706	409,762			999,468		(999,468)
5501 Department of State Lands	9,317,305	8,899,796	8,979,274	8,631,604	18,217,101	17,610,878	(606,223)
5603 Department of Livestock	914,931	912,855	777,673	772,882	1,827,786	1,550,555	(277,231)
5706 Department Net Resource/Conservation	5,730,059	5,641,217	4,648,968	4,559,198	11,371,276	9,208,166	(2,163,110)
5801 Department of Revenue	19,501,456	19,622,309	18,835,880	18,834,416	39,123,765	37,670,296	(1,453,469)
6101 Department of Administration	3,540,819	3,536,633	3,428,337	3,376,874	7,077,452	6,805,211	(272,241)
6201 Department of Agriculture	941,725	789,139	1,191,796	1,033,252	1,730,864	2,225,048	494,184
6401 Department of Institutions	67,254,695	66,513,246	71,060,011	68,768,739	133,767,941	139,828,750	6,060,809
6501 Department of Commerce	2,842,195	2,764,196	3,392,537	3,100,175	5,606,391	6,492,712	886,321
6602 Labor & Industry	699,733	671,118	762,128	730,552	1,370,851	1,492,680	121,829
6701 Adjutant General	2,239,475	2,122,888	2,200,045	1,993,823	4,362,363	4,193,868	(168,495)
6901 Department Social & Rehab Services	92,980,075	99,723,162	93,232,586	101,008,975	192,703,237	194,241,561	1,538,324
6911 Department of Family Services	28,903,076	29,105,107	29,364,538	29,852,783	58,008,183	59,217,321	1,209,138
Total General Fund	\$441,899,082	\$447,069,716	\$453,868,142	\$452,794,707	\$888,968,798	\$906,662,849	\$17,694,051

AGENCY BUDGETS BY FUND TYPE

State Special Revenue Fund

The following table shows the state special revenue appropriations for all state agencies for fiscal 1992 and fiscal 1993 contained in House Bill 2. The Executive Budget recommendation for each agency includes the major revisions to the Executive Budget announced in late January 1991. However, it does not include the smaller revisions approved by the Office of Budget and Program Planning during the legislative session.

The Executive Budget recommendation reflects the proposed reorganization of natural resource agencies (the Departments of Health and Environmental Sciences, Natural Resources and Conservation, and State Lands). Since the legislature did not adopt this proposal, the table shows significant offsetting differences between the Executive Budget recommendation and

legislative appropriations for these agencies.

The Executive Budget recommendation for the Commissioner of Higher Education includes the six mill levy for the university units, the county mill levies for the vocational-technical centers, and the accommodations tax statutory appropriation to the University of Montana. The legislative appropriation included the mill levy appropriations in each unit's and center's current unrestricted account. Statutory appropriations are not included in House Bill 2.

The legislature funded the \$7.8 million increase in state support for school transportation enacted in Senate Bill 82 from state special revenue (school equalization account). The Executive Budget did not include this appropriation.

AGENCY BUDGETS BY FUND TYPE

Agency Name	Executive Recommended Fiscal 1992	Executive Recommended Fiscal 1993	Legislature Appropriated Fiscal 1992	Legislature Appropriated Fiscal 1993	Executive Recommended Fiscal 92-93	Legislature Appropriated Fiscal 92-93	Legislature Over (Under) Executive
1101 Legislative Auditor	1,242,260	1,235,914	1,293,461	1,268,050	2,478,174	2,561,511	83,337
1104 Legislative Council	1,058,196	511,483	1,064,196	505,483	1,569,679	1,569,679	
1111 Environmental Quality Council	13,225	13,226	26,451		26,451	26,451	
1112 Consumer Counsel	905,205	923,374	912,382	935,108	1,828,579	1,847,490	18,911
2110 Judiciary	475,093	473,032	494,337	483,088	948,125	977,425	29,300
2115 Mt Chiropractic Legal Panel	13,000	13,000			26,000		(26,000)
3101 Governors Office	80,413	80,413	78,221	78,186	160,826	156,407	(4,419)
3201 Secretary of States Office	177,285	178,336	176,432	175,298	355,621	351,730	(3,891)
3401 State Auditors Office	360,348	360,355	501,444	500,766	720,703	1,002,210	281,507
3501 Office of Public Instruction	383,539	384,817	4,378,187	4,295,762	768,356	8,673,949	7,905,593
4107 Crime Control Division	462,901	459,764	556,939	553,308	922,665	1,110,247	187,582
4108 Highway Traffic Safety	76,051	76,039	75,100	74,686	152,090	149,786	(2,304)
4110 Department of Justice	14,556,069	14,140,122	14,330,972	13,758,831	28,696,191	28,089,803	(606,388)
5101 Board of Public Education	72,716	72,914	72,927	71,527	145,630	144,454	(1,176)
5102 Commissioner of Higher Education	12,485,383	12,732,504			25,217,887		(25,217,887)
5113 School For Tha Deaf & Blind	162,429	167,339	170,000	170,000	329,768	340,000	10,232
5114 Montana Arts Council	154,830	155,239	116,778	116,771	310,069	233,549	(76,520)
5115 Library Commission	409,161	406,232	403,873	390,345	815,393	794,218	(21,175)
5117 Historical Society	194,628	194,289	136,106	135,716	388,917	271,822	(117,095)
5201 Department of Fish, Wildlife & Parks	21,456,531	21,545,507	23,019,436	20,072,969	43,002,038	43,092,405	90,367
5301 Department Health & Environ Sciences	1,485,517	1,404,940	12,813,236	7,702,783	2,890,457	20,516,019	17,625,562
5401 Department of Highways	170,384,331	135,173,698	151,834,729	156,937,352	305,558,029	308,772,081	3,214,052
5501 Department of State Lands	7,469,892	5,916,060	7,904,626	4,510,344	13,385,952	12,414,970	(970,982)
5603 Department of Livestock	3,898,809	3,697,394	3,864,032	3,632,722	7,596,203	7,496,754	(99,449)
5706 Department Nat Resource/Conservation	12,796,910	12,470,347	8,979,329	6,412,433	25,267,257	15,391,762	(9,875,495)
5801 Department of Revenue	613,883	580,947	1,155,385	1,135,616	1,194,830	2,291,001	1,096,171
6101 Department of Administration	682,105	693,490	746,344	757,323	1,375,595	1,503,667	128,072
6103 State Comp. Mutual Ins. Fund	26,570		25,082		26,570	25,082	(1,488)
6201 Department of Agriculture	5,039,524	5,177,593	4,748,216	4,857,878	10,217,117	9,606,094	(611,023)
6401 Department of Institutions	4,831,158	4,845,327	4,817,677	4,814,724	9,676,485	9,632,401	(44,084)
6501 Department of Commerce	14,633,604	14,720,957	16,791,141	15,036,226	29,354,561	31,827,367	2,472,806
6602 Labor & Industry	3,238,570	3,233,731	2,818,842	2,772,985	6,472,301	5,591,827	(880,474)
6701 Adjutant General	12,000	12,000	32,172	41,169	24,000	73,341	49,341
6901 Department Social & Rehab Services	12,266,815	12,418,520	14,296,244	14,444,050	24,685,335	28,740,294	4,054,959
6911 Department of Family Services	2,507,116	2,513,360	2,945,116	2,958,917	5,020,476	5,904,033	883,557
Total State Special Funds	\$294,626,067	\$256,982,263	\$281,579,413	\$269,600,416	\$551,608,330	\$551,179,829	(\$428,501)

AGENCY BUDGETS BY FUND TYPE

Federal Funds

The following table shows the federal fund appropriations for all state agencies for fiscal 1992 and fiscal 1993 contained in House Bill 2. The Executive Budget recommendation for each agency includes the major revisions to the Executive Budget announced in late January 1991. However, it does not include the smaller revisions approved by the Office of Budget and Program Planning during the legislative session.

The Executive Budget recommendation reflects the proposed reorganization of natural resource agencies (the Departments of Health and Environmental Sciences, Natural Resources and Conservation, and State Lands). Since the legislature did not adopt this pro-

posal, the table shows significant offsetting differences between the Executive Budget recommendations and legislative appropriations for these agencies.

The significant increase in the Department of Highways appropriation is due to the additional \$20 million per year of federal highway funds Montana will receive during the 1993 biennium. The department was notified of this increase after the Executive Budget was prepared.

Similarly, the legislature appropriated \$5 million in federal child care and development block grants to the Department of Family Services which became available after the Executive Budget was prepared.

AGENCY BUDGETS BY FUND TYPE

Agency Name	Executive Recommended Fiscal 1992	Executive Recommended Fiscal 1993	Legislature Appropriated Fiscal 1992	Legislature Appropriated Fiscal 1993	Executive Recommended Fiscal 92-93	Legislature Appropriated Fiscal 92-93	Legislature Over (Under) Executive
3101 Governors Office	453,323	453,236	450,162	449,890	906,559	900,052	(6,507)
3501 Office of Public Instruction	8,097,578	8,142,100	13,439,982	4,089,022	16,239,678	17,529,004	1,289,326
4107 Crime Control Division	3,456,938	3,456,938	3,437,001	3,437,002	6,913,876	6,874,003	(39,873)
4108 Highway Traffic Safety	909,811	909,551	905,627	903,504	1,819,362	1,809,131	(10,231)
4110 Department of Justice	968,419	835,883	992,180	653,232	1,804,302	1,645,412	(158,890)
4201 Public Service Regulation	25,918	25,918	25,137	25,113	51,836	50,250	(1,586)
5102 Commissioner of Higher Education	7,958,419	7,957,085	7,574,975	7,550,465	15,915,504	15,125,440	(790,064)
5113 School For The Deaf & Blind	166,200	166,200	165,482	165,447	332,400	330,929	(1,471)
5114 Montana Arts Council	377,469	378,602	783,412	209,788	756,071	993,200	237,129
5115 Library Commission	1,342,322	1,342,322	2,315,274	383,277	2,684,644	2,698,551	13,907
5116 Montana Council On Vocational	166,657	166,773	169,682	165,650	333,430	335,332	1,902
5117 Historical Society	633,545	609,127	627,563	599,100	1,242,672	1,226,663	(16,009)
5201 Department of Fish, Wildlife & Parks	10,505,359	10,665,244	10,852,012	10,024,403	21,170,603	20,876,415	(294,188)
5301 Department Health & Environ Sciences	20,717,370	21,434,167	34,392,520	34,979,316	42,151,537	69,371,836	27,220,299
5401 Department of Highways	133,349,719	119,115,999	144,847,268	146,228,428	252,465,718	291,075,696	38,609,978
5501 Department of State Lands	7,726,198	634,508	9,808,543	9,738,175	8,360,706	19,546,718	11,186,012
5603 Department of Livestock	368,530	366,313	274,598	274,913	734,843	549,511	(185,332)
5706 Department Nat Resource/Conservation	22,622,682	22,833,528	8,442,456	1,554,381	45,456,210	9,996,837	(35,459,373)
5801 Department of Revenue	293,788	293,795	297,789	297,581	587,583	595,370	7,787
6201 Department of Agriculture	380,721	380,794	442,633	443,341	761,515	885,974	124,459
6401 Department of Institutions	4,986,781	4,361,000	4,981,583	4,348,368	9,347,781	9,329,951	(17,830)
6501 Department of Commerce	23,734,106	23,733,248	25,212,836	24,705,245	47,467,354	49,918,081	2,450,727
6602 Labor & Industry	33,956,106	34,146,990	34,987,285	35,597,246	68,103,096	70,584,531	2,481,435
6701 Adjutant General	4,126,787	4,126,778	3,745,668	3,733,480	8,253,565	7,479,148	(774,417)
6901 Department Social & Rehab Services	277,161,852	292,653,811	278,470,680	293,903,883	569,815,663	572,374,563	2,558,900
6911 Department of Family Services	12,114,297	12,203,933	16,462,105	16,856,907	24,318,230	33,319,012	9,000,782
Total Federal Funds	\$576,600,895	\$571,393,843	\$604,104,453	\$601,317,157	\$1,147,994,738	\$1,205,421,610	\$57,426,872

AGENCY BUDGETS BY FUND TYPE

Proprietary Funds

The following tables shows the proprietary fund appropriations for all state agencies for fiscal 1992 and fiscal 1993 contained in House Bill 2. The Executive Budget recommendation for each agency includes the major revisions to the Executive Budget announced in late January 1991. However, it does not include the smaller revisions approved by the Office of Budget and Program Planning during the legislative session.

The difference between the Executive Budget recommendation for the Department of Social and Rehabilitation Services and legislative action is due to accounting changes. In the Child Support Enforcement Bureau, funds which had been recorded in a proprietary account in fiscal 1990 were appropriated in a state revenue account (\$2.7 million) in the 1993 biennium. Similar accounting changes occurred in the Management Analysis and Systems program (\$0.7 million) and the Medicaid Services program (\$0.6 million).

Agency Name	Executive Recommended Fiscal 1992	Executive Recommended Fiscal 1993	Legislature Appropriated Fiscal 1992	Legislature Appropriated Fiscal 1993	Executive Recommended Fiscal 92-93	Legislature Appropriated Fiscal 92-93	Legislature Over (Under) Executive
3201 Secretary of States Office			331,332	332,856		664,188	664,188
3401 State Auditors Office	86,143	87,287	149,562	136,588	173,430	286,150	112,720
3501 Office of Public Instruction	844,364	848,007	956,815	887,460	1,692,371	1,844,275	151,904
4110 Department of Justice	600,735	600,934	582,153	581,256	1,201,669	1,163,409	(38,260)
4201 Public Service Regulation	20,000	20,000	19,397	19,380	40,000	38,777	(1,223)
5102 Commissioner of Higher Education	13,547,012	16,046,816	13,899,932	16,184,457	29,593,828	30,084,389	490,561
5117 Historical Society	512,391	509,574	504,152	505,867	1,021,965	1,010,019	(11,946)
5201 Department of Fish, Wildlife & Parks	2,326,348	2,333,451	2,398,798	2,408,509	4,659,799	4,807,307	147,508
5301 Department Health & Environ Sciences	970,812	973,293	1,443,725	1,386,046	1,944,105	2,829,771	885,666
5401 Department of Highways	14,438,607	14,267,345	14,138,618	13,843,786	28,705,952	27,982,404	(723,548)
5501 Department of State Lands	220,377	218,139	188,024	185,611	438,516	373,635	(64,881)
5801 Department of Revenue	1,110,812	1,111,469	1,217,691	1,129,480	2,222,281	2,347,171	124,890
6101 Department of Administration	37,873,776	38,046,595	37,011,859	36,964,001	75,920,371	73,975,860	(1,944,511)
6103 State Comp. Mutual Ins. Fund	123,395,584	130,401,813	123,385,340	130,286,402	253,797,397	253,671,742	(125,655)
6201 Department of Agriculture	11,218	11,271	11,198	11,251	22,489	22,449	(40)
6401 Department of Institutions	2,998,910	3,002,453	3,084,070	3,080,854	6,001,363	6,164,924	163,561
6501 Department of Commerce	13,801,868	13,251,765	13,949,081	13,426,426	27,053,633	27,375,507	321,874
6602 Labor & Industry	2,983,265	2,948,669	3,299,688	3,186,193	5,931,934	6,485,881	553,947
6901 Department Social & Rehab Services	2,138,914	2,103,413	2	1	4,242,327	3	(4,242,324)
Total Proprietary Funds	\$217,881,136	\$226,782,294	\$216,571,437	\$224,556,424	\$444,663,430	\$441,127,861	(\$3,535,569)

AGENCY BUDGETS BY FUND TYPE

Other Funds

The following table shows the other appropriations from the trust funds and capital projects fund for fiscal 1992 and fiscal 1993 contained in House Bill 2. The Executive Budget recommendation

for each agency includes the major revisions to the Executive Budget announced in late January 1991. However, it does not include the smaller revisions approved by the Office of Budget and Program Planning during the legislative session.

Agency Name	Executive Recommended Fiscal 1992	Executive Recommended Fiscal 1993	Legislature Appropriated Fiscal 1992	Legislature Appropriated Fiscal 1993	Executive Recommended Fiscal 92-93	Legislature Appropriated Fiscal 92-93	Legislature Over (Under) Executive
5201 Department of Fish, Wildlife & Parks			18,600			18,600	18,600
6101 Department of Administration	<u>730,906</u>	<u>742,291</u>	<u>773,667</u>	<u>784,648</u>	<u>1,473,197</u>	<u>1,558,315</u>	<u>85,118</u>
Total Capital Projects Funds	<u>\$730,906</u>	<u>\$742,291</u>	<u>\$792,267</u>	<u>\$784,648</u>	<u>\$1,473,197</u>	<u>\$1,576,915</u>	<u>\$103,718</u>

Agency Name	Executive Recommended Fiscal 1992	Executive Recommended Fiscal 1993	Legislature Appropriated Fiscal 1992	Legislature Appropriated Fiscal 1993	Executive Recommended Fiscal 92-93	Legislature Appropriated Fiscal 92-93	Legislature Over (Under) Executive
6201 Department of Agriculture	<u>293,306</u>	<u>294,336</u>	<u>285,045</u>	<u>286,023</u>	<u>587,642</u>	<u>571,068</u>	<u>(16,574)</u>
Total Expendable Trust Funds	<u>\$293,306</u>	<u>\$294,336</u>	<u>\$285,045</u>	<u>\$286,023</u>	<u>\$587,642</u>	<u>\$571,068</u>	<u>(\$16,574)</u>

Agency Name	Executive Recommended Fiscal 1992	Executive Recommended Fiscal 1993	Legislature Appropriated Fiscal 1992	Legislature Appropriated Fiscal 1993	Executive Recommended Fiscal 92-93	Legislature Appropriated Fiscal 92-93	Legislature Over (Under) Executive
6104 Public Employees Retirement Board	<u>1,244,159</u>	<u>957,288</u>	<u>1,225,568</u>	<u>953,166</u>	<u>2,201,447</u>	<u>2,178,734</u>	<u>(22,713)</u>
6105 Teachers Retirement Board	<u>636,965</u>	<u>598,850</u>	<u>665,703</u>	<u>569,602</u>	<u>1,235,815</u>	<u>1,235,305</u>	<u>(510)</u>
Total Non-Expendable Trust Funds	<u>\$1,881,124</u>	<u>\$1,556,138</u>	<u>\$1,891,271</u>	<u>\$1,522,768</u>	<u>\$3,437,262</u>	<u>\$3,414,039</u>	<u>(\$23,223)</u>

AGENCY BUDGETS BY FUND TYPE

Total Funds

The following table shows the appropriation for all state agencies for fiscal 1992 and fiscal 1993 contained in House Bill 2. The Executive Budget recommendation for each agency includes the major revisions to the Executive Budget announced in late January 1991. However, it does not include the smaller revisions approved by the Office of Budget and Program Planning during the legislative session.

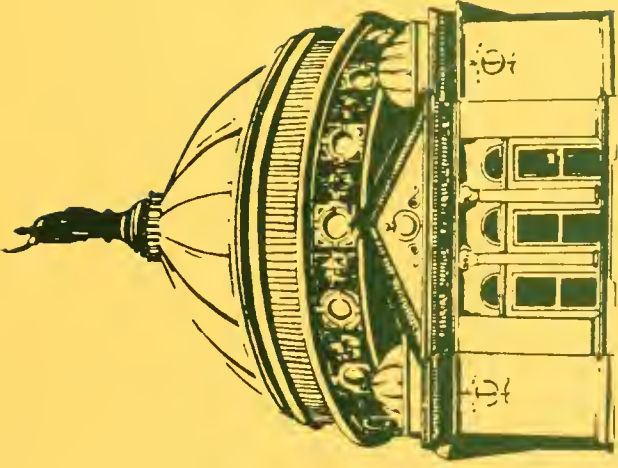
The Executive Budget recommendation reflects the proposed reorganization of

natural resource agencies (the Departments of Health and Environmental Sciences, Natural Resources and Conservation, and State Lands). Since the legislature did not adopt this proposal, the table shows significant offsetting differences between the Executive Budget recommendation and legislative appropriations for these agencies.

The significant difference in total funds between the Executive Budget and legislative action in the 1993 biennium for the Commissioner of Higher Education is discussed in the previous sections.

AGENCY BUDGETS BY FUND TYPE

Agency Name	Executive Recommended Fiscal 1992	Executive Recommended Fiscal 1993	Legislature Appropriated Fiscal 1992	Legislature Appropriated Fiscal 1993	Executive Recommended Fiscal 92-93	Legislature Appropriated Fiscal 92-93	Legislature Over (Under) Executive
1101 Legislative Auditor	2,535,223	2,522,269	2,510,458	2,478,613	5,057,492	4,989,071	(68,421)
1102 Legislative Fiscal Analyst	814,162	861,915	864,517	872,861	1,676,077	1,737,378	61,301
1104 Legislative Council	2,959,127	2,870,534	3,156,644	2,524,738	5,829,661	5,681,382	(148,279)
1111 Environmental Quality Council	279,395	275,387	311,924	283,275	554,782	595,199	40,417
1112 Consumer Counsel	905,205	923,374	912,382	935,108	1,828,579	1,847,490	18,911
2110 Judiciary	8,487,967	8,468,910	8,503,102	8,831,125	16,956,877	17,334,227	377,350
2115 Mt Chiropractic Legal Panel	13,000	13,000			26,000		(26,000)
3101 Governors Office	4,193,000	4,081,880	3,124,704	2,960,932	8,274,880	6,085,636	(2,189,244)
3201 Secretary of States Office	1,110,775	1,161,590	1,535,047	1,464,154	2,272,365	2,999,201	726,836
3202 Commissioner of Political Practice	113,645	115,396	169,704	113,521	229,041	283,225	54,184
3401 State Auditors Office	2,953,201	2,873,195	2,954,420	2,778,438	5,826,396	5,732,858	(93,538)
3501 Office of Public Instruction	54,641,816	54,634,098	66,823,230	53,290,412	109,275,914	120,113,642	10,837,728
3511 Billings Vocational Technical School	1,819,095	1,818,982	1,921,946	1,887,781	3,638,077	3,809,727	171,650
3512 Butte Vocational Technical School	1,721,521	1,722,766	1,811,590	1,816,933	3,444,287	3,628,523	184,236
3513 Great Falls Vocational Technical School	2,199,043	2,197,770	2,209,899	2,220,035	4,396,813	4,429,934	33,121
3514 Helena Vocational Technical School	2,641,008	2,641,487	2,574,433	2,499,978	5,282,495	5,074,411	(208,084)
3515 Missoula Vocational Technical School	2,835,721	2,834,398	2,720,523	2,623,289	5,670,119	5,343,812	(326,307)
4107 Crime Control Division	4,403,199	4,427,578	4,480,584	4,492,346	8,830,777	8,972,930	142,153
4108 Highway Traffic Safety	1,385,862	1,385,590	1,179,727	1,177,190	2,771,452	2,356,917	(414,535)
4110 Department of Justice	27,130,702	26,615,905	27,540,951	26,619,040	53,746,607	54,159,991	413,384
4201 Public Service Regulation	2,011,900	2,142,176	2,141,520	1,993,621	4,154,076	4,135,141	(18,935)
5101 Board of Public Education	195,017	195,044	191,629	185,528	390,061	377,157	(12,904)
5102 Commissioner of Higher Education	153,018,319	155,180,912	32,369,430	34,874,320	308,199,231	67,243,750	(240,955,481)
5103 University of Montana	42,655,050	42,561,782	44,850,824	44,725,145	85,216,832	89,575,969	4,359,137
5104 Montana State University	49,485,948	49,291,325	53,430,243	53,117,624	98,777,273	106,547,867	7,770,594
5105 Mont College of Min Sc & Tech	10,837,728	10,836,627	10,134,610	10,056,016	21,674,355	20,190,626	(1,483,729)
5106 Eastern Montana College	15,319,937	15,288,419	16,414,458	16,157,860	30,608,356	32,572,318	1,963,962
5107 Northern Montana College	8,033,098	8,040,189	8,621,172	8,543,537	16,073,287	17,164,709	1,091,422
5108 Western Montana College	4,819,159	4,820,758	4,981,588	4,915,429	9,639,917	9,897,017	257,100
5109 Agricultural Experiment Station	9,570,141	9,536,351	9,854,802	9,859,966	19,106,492	19,714,768	608,276
5110 Cooperative Extension Service	4,527,174	4,516,062	4,765,351	4,757,344	9,043,236	9,522,695	479,459
5111 Forestry & Cons Experiment Station	689,664	690,068	711,138	711,940	1,379,732	1,423,078	43,346
5112 Bureau of Mines			1,334,903	1,335,795		2,670,698	2,670,698
5113 School For The Deaf & Blind	2,951,953	2,955,862	2,955,511	2,917,116	5,907,815	5,872,627	(35,188)
5114 Montana Arts Council	665,994	668,317	1,039,703	448,480	1,334,311	1,488,183	153,872
5115 Library Commission	2,709,242	2,710,645	3,973,991	1,766,658	5,419,887	5,740,649	320,762
5116 Montana Council On Vocational	166,657	166,773	169,682	165,650	333,430	335,332	1,902
5117 Historical Society	2,601,135	2,546,532	2,539,899	2,468,330	5,147,667	5,008,229	(139,438)
5119 Fire Services Training School			238,804	219,064		457,868	457,868
5201 Department of Fish, Wildlife & Parks	35,038,238	35,294,202	36,711,901	32,928,945	70,332,440	69,640,846	(691,594)
5301 Department Health & Environ Sciences	26,071,011	26,758,551	52,256,125	47,667,513	52,829,562	99,923,638	47,094,076
5401 Department of Highways	318,762,363	268,966,804	310,820,615	317,009,566	587,729,167	627,830,181	40,101,014
5501 Department of State Lands	24,733,772	15,668,503	26,880,467	23,065,734	40,402,275	49,946,201	9,543,926
5603 Department of Livestock	5,182,270	4,976,562	4,916,303	4,680,517	10,158,832	9,596,820	(562,012)
5706 Department Nat Resource/Conservation	41,149,651	40,945,092	22,070,753	12,526,012	82,094,743	34,596,765	(47,497,978)
5801 Department of Revenue	21,519,939	21,608,520	21,506,745	21,397,093	43,128,459	42,903,838	(224,621)
6101 Department of Administration	42,827,606	43,019,009	41,960,207	41,882,846	85,846,615	83,843,053	(2,003,562)
6103 State Comp. Mutual Ins. Fund	123,422,154	130,401,813	123,410,422	130,286,402	253,823,967	253,696,824	(127,143)
6104 Public Employees Retirement Board	1,244,159	957,288	1,225,568	953,166	2,201,447	2,178,734	(22,713)
6105 Teachers Retirement Board	636,965	598,850	665,703	569,602	1,235,815	1,235,305	(510)
6201 Department of Agriculture	6,666,494	6,653,133	6,678,888	6,631,745	13,319,627	13,310,633	(8,994)
6401 Department of Institutions	80,071,544	78,722,026	83,943,341	81,012,685	158,793,570	164,956,026	6,162,456
6501 Department of Commerce	55,011,773	54,470,166	59,345,595	56,268,072	109,481,939	115,613,667	6,131,728
6602 Labor & Industry	40,877,674	41,000,508	41,867,943	42,286,976	81,878,182	84,154,919	2,276,737
6701 Adjutant General	6,378,262	6,261,666	5,977,885	5,768,472	12,639,928	11,746,357	(893,571)
6901 Department Social & Rehab Services	384,547,656	406,898,906	385,999,512	409,356,909	791,446,562	795,356,421	3,909,859
6911 Department of Family Services	43,524,489	43,822,400	48,771,759	49,668,607	87,346,889	98,440,366	11,093,477
Total All Funds	\$1,691,066,803	\$1,661,617,865	\$1,611,034,775	\$1,603,050,054	\$3,352,684,668	\$3,214,084,829	(\$138,599,839)



GENERAL GOVERNMENT AND HIGHWAYS

LEGISLATIVE AUDITOR

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	60.00	69.00	67.50	1.50-	69.00	67.50	1.50-	7.50
Personal Services	1,777,381	2,154,919	2,111,654	43,265-	2,152,506	2,114,350	38,156-	18.81%
Operating Expenses	248,615	337,236	355,736	18,500	312,134	306,634	5,500-	43.09%
Equipment	33,525	43,068	43,068	0	57,629	57,629	0	28.47%
Total Costs	\$2,059,521	\$2,535,223	\$2,510,458	\$24,765-	\$2,522,269	\$2,478,613	\$43,656-	21.90%
Fund Sources								
General Fund	1,024,932	1,292,963	1,216,997	75,966-	1,286,355	1,210,563	75,792-	18.74%
State Revenue Fund	1,034,589	1,242,260	1,293,461	51,201	1,235,914	1,268,050	32,136	25.02%
Total Funds	\$2,059,521	\$2,535,223	\$2,510,458	\$24,765-	\$2,522,269	\$2,478,613	\$43,656-	21.90%

Agency Description

The Office of the Legislative Auditor, established in 1967, is governed by the Legislative Audit Act, contained in Title 5, Chapter 13, MCA. Article V, Section 10(4) of the Montana Constitution mandates a legislative post-audit function. The office works under the supervision of the Legislative Audit Committee.

The agency is divided into three functional areas: 1) Financial-Compliance Audits; 2) Performance Audits; and 3) Operations/Electronic Data Processing (EDP) Audits. The Financial-Compliance section performs biennial audits of all state agencies, an annual statewide financial audit, and biennial federal single audit. The Performance Audit section conducts audits of state agencies to determine program effectiveness, efficiency, and compliance with established laws, rules, goals, and objectives. Legislatively requested audits and performance audits are conducted to determine effectiveness, efficiency, and compliance with laws, rules, goals, and objectives. EDP audits are evaluations of data processing systems and controls and are conducted independently and in conjunction with financial-compliance and performance audits.

Budget

The budget increases primarily due to nine budget modifications discussed below. When the budget modifications and the general budget reductions discussed below are excluded, there is a 6.8 percent increase in current level costs.

The legislature implemented a 0.5 percent reduction in the agency's total general fund budget for both years of the biennium: \$5,668 in fiscal 1992 and \$5,637 in fiscal 1993.

LEGISLATIVE AUDITOR

Bill 496) to conduct planning and assure coordination of information systems in the legislative branch. This modification will be funded 51 percent by general fund and 49 percent by state special revenue.

3) Adjusted Cost Estimates - Increased operating costs of \$32,386 are added for a periodic peer review required by Government Auditing Standards, an actuarial review of the State Compensation Fund, and increased data processing volume for audits. This modification also reflects a decrease in printing costs. It is funded 51 percent by general fund and 49 percent by state special revenue.

4) Sunrise Application Evaluations - This modification provides budget authority for the Legislative Auditor to conduct "sunrise" reviews to assess the merits of proposals to expand or establish new occupational or professional licensing boards, in accordance with 2-8-303, MCA. The reviews are funded by fees paid by applicants, and this modification provides spending authority to the Legislative Auditor to conduct the reviews.

5) Senate Bill 264 - Actuarial Evaluation - This modification provides budget authority for the Legislative Auditor to contract for an actuarial evaluation of the past service liability of teachers' retirement system members of the Montana University System, in accordance with Senate Bill 264. The Auditor is to report his findings to the 1993 legislature.

6) Audits of School-Related Organizations - This modification adds contract services authority in the state special revenue fund, allowing the Legislative Auditor to contract for the performance of at least one audit of a school related organization.

7) Added Audit Staff--Privatization Alternatives - This modification adds 1.0 FTE to carry out provisions of House Bill 857 requiring a privatization plan review by the Legislative Audit Committee of all privatization proposals.

8) Added Staff--New Audit Work - This modification adds 1.0 FTE to complete additional audit work due to legislation passed by the 1991 legislature. The additional audit work is primarily related to one-time audits, reviews, and studies.

9) Added Staff--State Compensation Mutual Insurance Fund - This modification adds 1.0 FTE to conduct additional audit work on the State Compensation Mutual Insurance Fund as required by House Bill 995.

Funding

The Legislative Auditor is funded from two sources. General fund is appropriated to the agency for performance audits, financial audits, contract audits, legislative requests, and administration of the agency. Revenues from fees charged to audited agencies are placed in a state special revenue account and used to fund the costs of the audits.

LEGISLATIVE FISCAL ANALYST

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	18.00	17.50	17.50	.00	18.00	18.00	.00	-.50
Personal Services	583,463	688,679	709,034	20,355	696,998	717,944	20,946	21,523
Operating Expenses	96,822	122,983	152,983	30,000	162,417	152,417	10,000-	58.00%
Equipment	17,818	2,500	2,500	0	2,500	2,500	0	-85.97%
Debt Service	1,407	0	0	0	0	0	0	-100.00%
Total Costs	\$699,510	\$814,162	\$864,517	\$50,355	\$861,915	\$872,861	\$10,946	23.59%
<u>Fund Sources</u>								
General Fund	699,510	814,162	864,517	50,355	861,915	872,861	10,946	23.59%
Total Funds	\$699,510	\$814,162	\$864,517	\$50,355	\$861,915	\$872,861	\$10,946	23.59%

Agency Description

The Office of the Legislative Fiscal Analyst (LFA) was established in 1974 to provide concentrated fiscal analysis of state government and to accumulate, compile, analyze, and furnish information bearing upon the financial matters of the state and policy issues of statewide importance. The duties of the office are provided in the Legislative Finance Act (Title 5, Chapter 12, MCA), which also established the Legislative Finance Committee.

Budget

The budget increases primarily due to the budget modification discussed below, the addition of computer network fees charged by the Department of Administration, and fiscal 1990 operating expenditures that were substantially lower than normal due to a change of directors and staff turnover during the year.

The legislature implemented a 0.5 percent reduction in the agency's total general fund budget for both years of the biennium: \$4,221 in fiscal 1992 and \$4,260 in fiscal 1993.

Personal services increase due to a significant vacancy savings in fiscal 1990 and continuation of the fiscal 1991 pay plan in the 1993 biennium.

LEGISLATIVE FISCAL ANALYST

The pay plan market base adjustment for this agency is included in the table above since it was not included in the pay plan bill. The hourly wage portion of the pay plan increase for fiscal 1992 and fiscal 1993 (House Bill 509) is not included in the table above. In Volume I of this report in the "Pay Plan" section is a description of the pay plan increase and a table showing allocations to each agency.

Operating expenses are higher than fiscal 1990 expenditures, but are below 1991 biennium appropriated levels (\$869,537) due to reductions in staff travel and computer consultant costs. Included in fiscal 1992 operating expenses are biennial appropriations of \$20,000 for legislative contingencies and \$20,000 for legislative requests (see budget modification #1 discussed below). The \$20,000 biennial appropriation for legislative contingencies is a line-item appropriation to address unforeseen issues that may confront the legislature. New network fees add \$10,080 per year to operating costs. When biennial appropriations are excluded, fiscal 1993 operating expenses are higher, due to increased activity in a session year.

The equipment budget is for replacement of minor office equipment. Debt service payments for a copier ended in fiscal 1990.

Budget Modification

<u>Modification Type</u>	<u>-----Executive-----</u>			<u>-----Legislature-----</u>		
	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>
1) Legislative Requests	0.0	0.0	\$0	0.0	0.0	\$20,000
			\$0			\$20,000
			<u>Total</u> <u>92-93</u>			<u>Total</u> <u>92-93</u>

1) Legislative Requests - This modification provides a line-item, biennial appropriation for increased data processing costs. Costs have increased due to more computer processing associated with legislative requests and due to the development of an improved budget and network computer system. This appropriation will be used only for legislative request computer processing, with any funds not used for that purpose to revert to the general fund.

Funding

The Office of the Legislative Fiscal Analyst is funded entirely by general fund.

LEGISLATIVE FISCAL ANALYST

Other Legislation

In addition to the appropriations in House Bill 2, The Office of the Legislative Fiscal Analyst received an appropriation in one other bill, as discussed below. This appropriation is not included in the main table.

<u>Bill No./Description</u>	-----Fiscal 1992-----		-----Fiscal 1993-----	
	<u>FTE</u>	<u>General Fund</u>	<u>FTE</u>	<u>General Fund</u>
		<u>Total Funds</u>		<u>Total Funds</u>
HB 142 - Postsecondary Education	0.0	\$66,000	0.0	\$0
*Biennial Appropriation				

HB 142 - Postsecondary Education Study - The legislature created a statutory Joint Committee on Postsecondary Education Policy and Budget in House Bill 142, and appropriated \$66,000 general fund for the biennium to the Office of the Legislative Fiscal Analyst for use by the Committee. The appropriation includes \$26,000 of printing, travel, per diem, and administrative costs, and \$40,000 for consultant costs.

LEGISLATIVE COUNCIL

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	43.70	45.70	45.70	.00	55.70	53.70	2.00-	2.00
Personal Services	1,231,781	1,521,283	1,512,765	8,518-	1,780,290	1,643,654	136,636-	22.81%
Operating Expenses	861,433	1,327,796	1,481,931	154,135	1,016,187	758,582	257,605-	72.03%
Equipment	120,432	110,048	161,948	51,900	74,057	122,502	48,445	34.47%
Total Costs	\$2,213,646	\$2,959,127	\$3,156,644	\$197,517	\$2,870,534	\$2,524,738	\$345,796-	42.60%
Fund Sources								
General Fund	1,806,225	1,900,931	2,092,448	191,517	2,359,051	2,019,255	339,796-	15.85%
State Revenue Fund	407,421	1,058,196	1,064,196	6,000	511,483	505,483	6,000-	161.20%
Total Funds	\$2,213,646	\$2,959,127	\$3,156,644	\$197,517	\$2,870,534	\$2,524,738	\$345,796-	42.60%

Agency Description

The Legislative Council provides a variety of support services to the legislature under the general supervision of an eight-member bipartisan committee composed of four members of the House of Representatives and four members of the Senate. Council services include: bill drafting and the engrossing and enrolling of bills; printing and distribution of legislative proceedings, session laws, and journals of the House and Senate; provision of legislative research and reference services; legal counseling for the legislature; committee staffing; provision of interim investigation authority; service as the agency of interstate cooperation; preparation and publication of the Montana Code Annotated statute text and annotations; review of the text of proposed ballot measures and proposed administrative rules; and other services as assigned by the legislature.

Budget

While the table above shows a 42.6 percent budget increase from fiscal 1990 to 1992, this is somewhat misleading since the fiscal 1992 figure includes biennial appropriations. When comparing the 1991 biennium to the 1993 biennium, the agency budget increases 19.1 percent. The biennial increase is primarily due to: 1) the four budget modifications shown below; 2) a 27 percent biennial increase in Interim Studies and Conferences; and 3) an increase in data processing costs in the Reimbursable Activities and Legislative Council Operations programs.

The legislature implemented a 0.5 percent (\$20,770) reduction in the agency's total general fund budget for both years of the biennium (\$10,918 in fiscal 1992 and \$9,852 in fiscal 1993). Since the agency will be allowed to allocate this budget reduction among programs, it is reflected in the agency table above but is not reflected in the program tables and narratives.

LEGISLATIVE COUNCIL

The pay plan increase for fiscal 1992 and fiscal 1993 (House Bill 509) is not included in the table above or in the program tables. In Volume I of this report in the "Pay Plan" section is a description of the pay plan increase and a table showing allocations to each agency. House Bill 509 included the hourly increase but did not include the pay plan market base adjustment funding for the Legislative Auditor. The legislature eliminated the 4 percent personal services reduction for this agency to offset the lack of funding for the market base adjustment.

Budget Modifications

Modification Type	-----Executive-----			-----Legislature-----				
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) 1991 Base Pay Adjustment			\$ 64,510	\$ 64,510			\$ 64,510	\$ 64,510
2) Added FTE	2.0	2.0	111,554	111,554	1.0	1.0	51,044	51,044
3) Reapportionment Tech. Support			149,699	149,699			149,699	149,699
4) Legislative Computer Network					1.0	1.0	178,696	178,696
Total	2.0	2.0	\$325,763	\$325,763	2.0	2.0	\$443,949	\$443,949

The budget modifications shown in the table above are described in the Legislative Council Operations program narrative.

Funding

State special revenue funds fund the Reimbursable Activities program and a portion of the Legislative Council Operations program, with revenues from the sale of reimbursable items, including the Montana Code Annotated. Coal tax state special revenues also fund a portion of the Regional Conferences budget in the Interim Studies and Conferences program. The remainder of the Legislative Council budget is supported by general fund.

LEGISLATIVE COUNCIL

Other Legislation

In addition to the appropriations in House Bill 2 that are included in the table above, the Legislative Council received a language appropriation in House Bill 2 and appropriations in three other bills, as discussed below. These appropriations are not included in the main table.

Bill No./Description	-----Fiscal 1992-----		-----Fiscal 1993-----	
	FTE	General Fund	FTE	General Fund
		Total Funds		Total Funds
HB 251 - Joint Comm. on Work. Comp.		\$70,000 *		
HB 508 - Pac. NW Econ. Region Conf.		7,346 *		
HB 966 - Galen/Warm Springs Study		\$37,000		
HJR 50 - Retirement Systems Study		30,000 *	(1)	
Totals	0.0	\$37,000	0.0	\$0

* Biennial Appropriation

(1) Language Appropriation in House Bill 2

HB 251 - Joint Select Commission on Workers' Compensation - The legislature appropriated \$70,000 for the biennium from the workers' compensation tax account to the Legislative Council, for use by the Joint Select Committee on Workers' Compensation to provide actuarial consulting services and to conduct a study monitoring the functions of the state Workers' Compensation system.

HB 508 - Pacific Northwest Economic Region Conference - The 1991 legislature established Montana as a member of the Pacific Northwest Economic Region and appropriated the remaining balance in the Weather Modification state special revenue fund for operating costs of participation in the Conference. The estimated balance available from the Weather Modification account is \$7,346. In addition to these funds, the legislature appropriated an additional \$20,000 general fund for the biennium in House Bill 2 for the Conference.

HB 966 - Galen/Warm Springs Study - The legislature appropriated \$37,000 general fund for the biennium to create a Committee on the Montana State Hospital at Galen and Warm Springs. The committee is to conduct a study of past, current, and potential future uses of the Montana State Hospital and to report the study's findings to the 53rd Legislature.

HJR 50 - Retirement Systems Study - The legislature passed a joint resolution of both houses requesting an interim study of the public employee retirement systems and requiring that the study be funded from the investment earnings of the various retirement system trust funds through an appropriation in House Bill 2. A language appropriation of \$30,000 for the biennium was included in House Bill 2 to complete the study utilizing retirement trust funds in proportion to the membership size in each fund.

INTERIM STUDIES & CONFERENCES

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	2.00	2.00	2.00	.00	2.00	.00	2.00-	.00
Personal Services	18,455	45,809	77,159	31,350	45,808	0	45,808-	318.09%
Operating Expenses	129,854	258,878	404,248	145,370	258,870	0	258,870-	211.31%
Total Costs	\$148,309	\$304,687	\$481,407	\$176,720	\$304,678	\$0	\$304,678-	224.60%
Fund Sources								
General Fund	144,352	298,687	469,407	170,720	298,678	0	298,678-	225.18%
State Revenue Fund	3,957	6,000	12,000	6,000	6,000	0	6,000-	203.26%
Total Funds	\$148,309	\$304,687	\$481,407	\$176,720	\$304,678	\$0	\$304,678-	224.60%

Program Description

The Interim Studies and Conferences program exists to process and monitor the expenditures of the various legislative interim committees and conferences. Included in the program are: 1) limited support of interim studies activities established under Sections 5-5-202 through 5-5-217, MCA; 2) support of interstate cooperation activities of the legislature; and 3) support of other legislative activities for which appropriations are made.

Language

"[The Interim Studies and Conferences Program] is a biennial appropriation. Individual activities are budgeted as follows:

Joint Interim Committees	\$ 82,470
Statewide Issues	25,000
Districting and Apportionment Commission	43,000
Revenue Oversight Committee	37,983
Administrative Code Committee	14,048
Select Committee on Indian Affairs	7,200
Commission on Uniform State Laws	30,000
National Conference of State Legislatures	189,706
Northwest Economic Region Conference	20,000
Regional Conferences	32,000"

INTERIM STUDIES & CONFERENCES

"The Legislative Council may allocate money appropriated [for the Interim Studies and Conferences Program] among the individual activities listed above in order to complete work assigned by the legislature."

The following language appropriation was included in House Bill 2 for a study of retirement systems, as required by House Joint Resolution 50, which passed both houses of the 52nd Legislature. The amount is not included in the tables above for House Bill 2 appropriations as it was a language appropriation (See the discussion under "Other Legislation" in the agency narrative immediately preceding this program narrative).

"Contingent on passage and approval of House Joint Resolution No. 50, a biennial appropriation not to exceed \$30,000 from pension trust funds is made to the Legislative Council for the purpose of conducting an interim study on retirement systems. Of the total appropriation, 12.5% must be made from the Teachers' Retirement Pension Fund. The remaining 87.5% must be made from the various pension trust funds administered by the Public Employees' Retirement Board in proportion to the membership of each system."

"The Revenue Oversight Committee may use part of the appropriation provided [to the Revenue Oversight Committee] for the support of the activities of the Coal Tax Oversight Subcommittee."

Legislative Intent

The appropriation for the Interim Studies and Conferences program is \$481,407 for the biennium. The language above specifies the legislative intent for funding of individual activities within the total appropriation, and provides the Legislative Council the authority to move funds between studies and committees as deemed necessary. In contrast to past bienniums, there is not a separate allocation for the Forestry Task Force, the Montana-Western Canadian Boundary Committee, or the Five-State Biennial Conference. There is a new budget item of \$32,000 for Regional Conferences. It is legislative intent that the Legislative Council allocate the Regional Conferences budget among regional activities, including but not limited to the Western States Legislative Forestry Task Force, the Montana-Western Canadian Boundary Committee and the Five-State Biennial Conference, in relation to their estimated value to state interests.

Budget

The entire appropriation for this program is a biennial appropriation and is shown in fiscal 1992 only. The amounts shown in the table above and in Table 1 below include all appropriations for interim legislative activities managed or supported by the Legislative Council, except for those discussed under "Other Legislation" in the Legislative Council agency narrative immediately preceding this program narrative. The interim committee budgets are, for the most part, designed to provide the following costs of operating a committee study: member travel and salary costs, committee printing and postage costs, consultant costs, and any other costs incidental to a particular study. Funding for staff personal services is not included.

INTERIM STUDIES & CONFERENCES

While the table above shows an increase of over 200 percent from fiscal 1990 to 1992, this is misleading due to inclusion of a two-year, biennial appropriation in fiscal 1992, which is compared to a one-year actual expenditure in fiscal 1990. Table 1 provides a 1991 biennium to 1993 biennium appropriation comparison by type of function/committee.

Table 1
Interim Studies and Conferences
Comparison - 1991 Biennium Appropriation to 1993 Biennium Budget

	<u>1991 Biennium</u>	<u>1993 Biennium</u>	<u>Increase/ (Decrease)</u>
FTE	2.0	2.0	0.0
<u>Interim Standing or Temporary Committees</u>			
Joint Interim Committees			
Statewide Issues (5-11-105(1), MCA)	\$45,600	\$82,470	\$36,870
Districting and Apportionment Commission	\$10,000	\$25,000	\$15,000
	\$6,287	\$43,000	\$36,713
<u>Permanent Statutory Committees</u>			
Revenue Oversight Committee	\$30,000	\$37,983	\$7,983
Coal Tax Oversight Committee	\$12,000	\$0	(\$12,000)
Administrative Code Committee	\$14,000	\$14,048	\$48
Select Committee on Indian Affairs	\$6,000	\$7,200	\$1,200
<u>Interstate Cooperation</u>			
National Conference of State Legislatures			
Salary	\$10,134	\$14,458	\$4,324
Dues	\$76,717	\$118,608	\$41,891
Travel	\$32,850	\$56,640	\$23,790
Council of State Governments			
Salary	\$10,134	\$0	(\$10,134)
Dues	\$66,525	\$0	(\$66,525)
Travel	\$32,850	\$0	(\$32,850)
Commission on Uniform State Laws	0	30,000	30,000

INTERIM STUDIES & CONFERENCES

Northwest Economic Region Conference	\$0	\$20,000	\$20,000
Five-State Biennial Conference	\$16,498	\$0	(\$16,498)
MT-Western Canadian Boundary Committee	\$2,000	\$0	(\$2,000)
Forestry Task Force	\$8,000	\$0	(\$8,000)
Regional Conferences	<u>\$0</u>	<u>\$32,000</u>	<u>\$32,000</u>
 Total Expenses	 \$379,595	 \$481,407	 \$101,812
 Funding			
General Fund	\$367,595	\$469,407	\$101,812
State Special Revenue Fund	<u>\$12,000</u>	<u>\$12,000</u>	<u>\$0</u>
 Total Funding	 \$379,595	 \$481,407	 \$101,812

Dues for the National Conference of State Legislatures (NCSL) are budgeted at 100 percent of the assessment made by the association. This compares to an allocation of 75 percent of the proposed assessment in the 1991 biennium. Funding for the Council of State Governments and the Coal Tax Oversight Subcommittee has been eliminated, although language in House Bill 2 specifies that the Revenue Oversight Committee may use part of its appropriation to fund the Coal Tax Oversight Subcommittee. Further, as discussed under "Legislative Intent", separate budgets for individual regional conferences have been replaced with a Regional Conferences budget, intended to be allocated by the Legislative Council to the various regional conferences based on estimated value to state interests.

Funding

All interim studies and conference activities are funded by the general fund with the exception of the Regional Conferences budget, which is funded partially by \$12,000 of coal tax revenues in a state special revenue account.

REIMBURSABLE ACTIVITIES PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	.00	.00	.00	.00	.00	.00	.00	.00
Personal Services	1,582	0	0	0	0	0	0	-100.00%
Operating Expenses	380,199	593,470	593,470	0	251,120	251,120	0	56.09%
Equipment	21,683	0	0	0	0	0	0	-100.00%
Total Costs	\$403,464	\$593,470	\$593,470	\$0	\$251,120	\$251,120	\$0	47.09%
<u>Fund Sources</u>								
State Revenue Fund	403,464	593,470	593,470	0	251,120	251,120	0	47.09%
Total Funds	\$403,464	\$593,470	\$593,470	\$0	\$251,120	\$251,120	\$0	47.09%

Program Description

The Reimbursable Activities program supports the publication and distribution of the Montana Code Annotated statute text, annotations, and ancillary publications issued under Sections 1-11-301 and 1-11-303, MCA. It also supports the provision of other reimbursable services provided by the Legislative Council office.

Budget

The budget increases from fiscal 1990 to 1992 due to: 1) the inclusion of costs for preparation of the Montana Code Annotated statute text and annotations that previously were budgeted in the Legislative Council Operations program; and 2) increased data processing costs due to a larger data base size and the change to a mainframe processing system. The fiscal 1992 budget is significantly higher than fiscal 1993, reflecting the cyclical cost of publishing the Montana Code Annotated.

The Legislative Council plans to merge the Reimbursable Activities program into the Legislative Council Operations program prior to the beginning of the 1993 biennium.

Funding

The program is funded by a state special revenue account, which receives revenue from sales of the Montana Code Annotated and from sales of other products and services.

LEGISLATIVE COUNCIL

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	41.70	43.70	43.70	.00	53.70	53.70	.00	2.00
Personal Services	1,211,744	1,475,474	1,446,524	28,950-	1,734,482	1,653,506	80,976-	19.38%
Operating Expenses	351,380	475,448	484,213	8,765	506,197	507,462	1,265	37.80%
Equipment	98,749	110,048	161,948	51,900	74,057	122,502	48,445	64.00%
Total Costs	\$1,661,873	\$2,060,970	\$2,092,685	\$31,715	\$2,314,736	\$2,283,470	\$31,266-	25.92%
<u>Fund Sources</u>								
General Fund	1,661,873	1,602,244	1,633,959	31,715	2,060,373	2,029,107	31,266-	-1.68%
State Revenue Fund	0	458,726	458,726	0	254,363	254,363	0	.00%
Total Funds	\$1,661,873	\$2,060,970	\$2,092,685	\$31,715	\$2,314,736	\$2,283,470	\$31,266-	25.92%

Program Description

The Legislative Council Operations program provides for overall policy direction of the agency through the Legislative Council. The program also provides the personnel required to support the programs of the agency, including an executive director and staff that assist in the preparation of proposed legislation, standing and select committee reports and recommendations, and to carry out other council activities.

Language

"Expenditure of funds for [the legislative computer network] is contingent on approval by the Joint Legislative Administration Committee."

This language relates to Budget Modification 4 discussed below (Legislative Branch Computer Network). The appropriation is line-itemed in House Bill 2, and the language requires approval of any expenditures by the Joint Legislative Administration Committee.

Budget

The budget increases primarily due to four budget modifications discussed below. When the modifications are excluded, there is an 8 percent increase in current level costs.

LEGISLATIVE COUNCIL

Personal services increase due to Budget Modifications #1, #2, and #4, vacancy savings in fiscal 1990 and continuation of the fiscal 1991 pay plan in the 1993 biennium.

Operating expenses increase primarily due to expenses added in budget modifications #3 and #4 below. Current level operating expense increases include data processing costs and network fees, travel, and equipment maintenance contracts. Operating expenses are significantly higher in fiscal 1993 as it is a session year, with data processing accounting for the majority of the increase.

The equipment budget includes \$100,345 for the biennium for the legislative computer network (Budget Modification #4), \$42,865 for computer equipment to support the Montana Districting and Apportionment Commission (Budget Modification #3), and \$141,240 to purchase replacement computer equipment and software in order to maintain current levels of technology.

Budget Modifications

Modification Type	-----Executive-----		-----Legislature-----	
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) 1991 Base Pay Adjustment			\$64,510	\$64,510
2) Added FTE	2.0	2.0	111,554	51,044
3) Reapportionment Tech. Support			149,699	149,699
4) Legislative Computer Network				178,696
Total	2.0	2.0	\$325,763	\$443,949

1) 1991 Base Pay Adjustment - This modification funds a fiscal 1991 staff pay plan increase adopted by the Legislative Council but not included in the 1993 biennium budget base.

2) One Added FTE - The legislature approved the addition of a 1.0 FTE programmer analyst for Legislative Council computer systems. The legislature did not approve the second 1.0 FTE included in the original modification request for a director of the Management Division.

LEGISLATIVE COUNCIL

- 3) Reapportionment Technical Support - This modification funds the acquisition of computer equipment, software, data preparation, and training to enable staff of the Montana Districting and Apportionment Commission to use available census data to assist in reapportionment. In subsequent years, the system will be used in other geographical analyses.
- 4) Legislative Branch Computer Network - This modification will provide funds and 1.0 FTE to support legislative branch computer network centralization. The 1989 legislature enacted House Bill 496, creating the Legislative Branch Computer System Planning Council to develop and maintain a legislative computer system plan. The Legislative Council plan includes the hardware upgrade funded by this budget modification. The 1.0 FTE will be used to develop and manage the system for all of the legislative agencies.

Funding

State special revenue is included in the program budget for the first time, reducing current level general fund revenues by 16.5 percent. The state special revenue fund receives revenues from the sale of the Montana Code Annotated. The Legislative Council plans to directly charge the fund for personal services and operating expenses related to publishing the Montana Code Annotated that are incurred in the Operations program.

ENVIRONMENTAL QUALITY COUNCIL

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	6.50	6.50	7.00	.50	6.50	7.00	.50	.50
Personal Services	178,453	213,971	236,040	22,069	213,555	231,903	18,348	32.27%
Operating Expenses	45,430	60,424	70,884	10,460	56,832	46,372	10,460-	56.03%
Equipment	4,933	5,000	5,000	0	5,000	5,000	0	1.36%
Total Costs	\$228,816	\$279,395	\$311,924	\$32,529	\$275,387	\$283,275	\$7,888	36.32%
<u>Fund Sources</u>								
General Fund	221,781	266,170	285,473	19,303	262,161	283,275	21,114	28.72%
State Revenue Fund	7,035	13,225	26,451	13,226	13,226	0	13,226-	275.99%
Total Funds	\$228,816	\$279,395	\$311,924	\$32,529	\$275,387	\$283,275	\$7,888	36.32%

Agency Description

The Environmental Quality Council (EQC) was created in 1971 to implement provisions of the Montana Environmental Policy Act (MEPA - Title 75, Chapter 1, MCA). Two programs exist within the agency. The Environmental Quality Council Program is responsible for the general EQC program and for the environmental quality goals established in MEPA. The Water Policy Committee Program is responsible for advising the legislature on state water policy and utilizes the staff of the EQC for support.

Budget

The budget shows a 36.3 percent increase from fiscal 1990 to 1992, but the increase is misleading due to inclusion of a biennial appropriation in fiscal 1992 for the Water Policy Committee. When comparing biennium to biennium, the biennial appropriation for Water Policy Committee operations is nearly identical to the 1991 biennium appropriation. The primary reasons for increases in the EQC program are: 1) the budget modification shown in the table below; 2) high vacancy savings in fiscal 1990; and 3) lower than normal operating expenses in fiscal 1990.

The legislature implemented a 0.5 percent reduction in the agency's total general fund budget for both years of the biennium: \$1,410 in fiscal 1992 and \$1,390 in fiscal 1993. Since the agency will be allowed to allocate this budget reduction among programs, it is reflected in the agency table above but is not reflected in the program tables and narratives.

The pay plan market base adjustment for this agency is included in the table above since it was not included in the pay plan bill. The hourly wage portion of the pay plan increase for fiscal 1992 and fiscal 1993 (House Bill 509) is not included in the table above

ENVIRONMENTAL QUALITY COUNCIL

or in the program tables. In Volume I of this report in the "Pay Plan" section is a description of the pay plan increase and a table showing allocations to each agency.

Budget Modification

<u>Modification Type</u>	<u>-----Executive-----</u>			<u>-----Legislature-----</u>		
	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>
1) Additional Staff	0.0	0.0	\$0	0.5	0.5	\$31,600
			\$0			\$31,600

The budget modification shown in the table above is described in the EQC program narrative which follows.

Funding

The EQC program is funded entirely by general fund, while the Water Policy Committee operations are funded by the Resource Indemnity Trust state special revenue account.

ENVIRONMENTAL QUALITY PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	6.25	6.25	6.75	.50	6.25	6.75	.50	.50
Personal Services	176,535	211,206	231,919	20,713	210,789	233,293	22,504	31.37%
Operating Expenses	40,313	49,964	49,964	0	46,372	46,372	0	23.94%
Equipment	4,933	5,000	5,000	0	5,000	5,000	0	1.36%
Total Costs	\$221,781	\$266,170	\$286,883	\$20,713	\$262,161	\$284,665	\$22,504	29.35%
<u>Fund Sources</u>								
General Fund	221,781	266,170	286,883	20,713	262,161	284,665	22,504	29.35%
Total Funds	\$221,781	\$266,170	\$286,883	\$20,713	\$262,161	\$284,665	\$22,504	29.35%

Program Description

The Environmental Quality Council (EQC) Program is charged with implementing the provisions of the Montana Environmental Policy Act (MEPA), performing numerous other statutory duties, and completing projects that are assigned to it by the legislature. The EQC reviews the policies and programs of state agencies that concern environmental matters and natural resource development and conservation. The council researches and analyzes environmental trends and problems and recommends ways to improve the state's natural, social, and economic environments. It assists the legislature with natural resource legislation and staffs the natural resources standing committees and the Water Policy Committee.

Budget

The budget increases from fiscal 1990 to 1992 are primarily due to: 1) the budget modification discussed below; 2) high vacancy savings in fiscal 1990; and 3) lower than normal operating expenses in fiscal 1990.

Personal services increase due to a substantial vacancy savings in fiscal 1990, continuation of the fiscal 1991 pay plan in the 1993 biennium, and the addition of 0.5 FTE in the budget modification discussed below.

Operating expenses increase due to below normal expenditures in fiscal 1990, as operating costs were reduced in travel, contracted services, and rent. Operating expenses for the 1993 biennium are below the fiscal 1991 appropriation.

Equipment is for agency computer upgrades in accordance with the Legislative Agency Network standards and plans.

ENVIRONMENTAL QUALITY PROGRAM

Budget Modification

<u>Modification Type</u>	<u>-----Executive-----</u>			<u>-----Legislature-----</u>		
	<u>FTE</u>	<u>FTE</u>	<u>Total</u>	<u>FTE</u>	<u>FTE</u>	<u>Total</u>
	<u>FY92</u>	<u>FY93</u>	<u>92-93</u>	<u>FY92</u>	<u>FY93</u>	<u>92-93</u>
1) Additional Staff	0.0	0.0	\$0	0.5	0.5	\$31,600
			\$0			\$31,600

1) Additional Staff - This modification provides \$31,600 general fund for an additional 0.5 FTE for coordination, oversight, and liaison to executive agencies for compliance with the Montana Environmental Policy Act (MEPA).

Funding

The EQC program is funded entirely by general fund.

WATER POLICY COMMITTEE

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	.25	.25	.25	.00	.25	.25	.00	.00
Personal Services	1,918	2,765	5,531	2,766	2,766	0	2,766-	188.37%
Operating Expenses	5,117	10,460	20,920	10,460	10,460	0	10,460-	308.83%
Total Costs	\$7,035	\$13,225	\$26,451	\$13,226	\$13,226	\$0	\$13,226-	275.99%
Fund Sources								
State Revenue Fund	7,035	13,225	26,451	13,226	13,226	0	13,226-	275.99%
Total Funds	\$7,035	\$13,225	\$26,451	\$13,226	\$13,226	\$0	\$13,226-	275.99%

Program Description

The Water Policy program was established to operate the Water Policy Committee, statutorily created by the Forty-ninth Legislature. The Water Policy Committee's duties include advising the legislature on the adequacy of the state's water policy and on important state, regional, national, and international developments relating to Montana's water resources; overseeing the policies and activities of the Department of Natural Resources and Conservation and other entities as they relate to water management; analyzing and commenting on the state water plan, the water development program, water research, the water leasing pilot program, and water data management system; and reporting to the legislature each biennium.

Budget

The Water Policy Committee operations budget is essentially the same as in previous years. The program received a biennial appropriation of \$26,281 in fiscal year 1990. Because the committee receives a biennial appropriation, comparison of actual expenses in fiscal year 1990 to the proposed budget is misleading, as the balance of the appropriation is carried over to fiscal 1991. The only change in the budget over the last biennium is the continuation of the fiscal 1991 pay plan increase for salaries for committee members in the 1993 biennium.

Funding

Funding for the operations of the Water Policy Committee is derived from the Resource Indemnity Trust state special revenue account.

CONSUMER COUNSEL

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	4.25	4.25	4.25	.00	4.25	4.25	.00	.00
Personal Services	190,030	202,796	209,972	7,176	202,072	213,806	11,734	10.49%
Operating Expenses	424,395	700,699	700,700	1	719,592	719,592	0	65.11%
Equipment	5,606	1,710	1,710	0	1,710	1,710	0	-69.50%
Total Costs	\$620,031	\$905,205	\$912,382	\$7,177	\$923,374	\$935,108	\$11,734	47.15%
<u>Fund Sources</u>								
State Revenue Fund	620,031	905,205	912,382	7,177	923,374	935,108	11,734	47.15%
Total Funds	\$620,031	\$905,205	\$912,382	\$7,177	\$923,374	\$935,108	\$11,734	47.15%

Agency Description

The Office of the Consumer Counsel was created by Article XIII, Section 2 of the 1972 Montana Constitution. The office is governed by Title 5, Chapter 15, MCA, and by Title 69, Chapters 1 and 2, MCA. The Consumer Counsel is charged with the duty of "representing consumer interests in hearings before the Public Service Commission or any other successor agency." The Consumer Counsel also may initiate, intervene in, or otherwise participate in appropriate proceedings in the state and federal courts and in proceedings before federal administrative agencies on behalf of the public of Montana.

Language

The following language in House Bill 2 designates \$100,000 per year for expert witness fees:

"Item 1a is for expert witness fees for unanticipated cases."

Budget

As in previous years, the 1993 biennium budget for the Consumer Counsel consists of a base appropriation for normal operating costs and a \$100,000 contingency appropriation each fiscal year for costs associated with unanticipated increased caseload.

The agency's fiscal 1992 budget increases 47 percent as compared to fiscal 1990, due to a lower caseload than anticipated in fiscal 1990 and due to the modification for increased travel costs discussed below.

CONSUMER COUNSEL

Personal services increase due to the fiscal 1991 pay plan increase. Operating costs increase primarily due to an increased caseload over fiscal 1990, when the agency expended only 59 percent of the base appropriation and none of the contingency amount appropriated for consultants. Equipment requested in the 1993 biennium is for office equipment.

The pay plan market base adjustment for this agency is included in the table above since it was not included in the pay plan bill. The hourly wage portion of the pay plan increase for fiscal 1992 and fiscal 1993 (House Bill 509) is not included in the table above. In Volume I of this report in the "Pay Plan" section is a description of the pay plan increase and a table showing allocations to each agency.

Budget Modification

<u>Modification Type</u>	<u>-----Executive-----</u>			<u>-----Legislature-----</u>		
	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>
1) Additional Travel Costs	0.0	0.0	\$0	0.0	0.0	\$0
			\$13,198			\$13,198

1) Additional Travel Costs - This modification for \$13,198 is to fund travel cost increases due to changed air fare structures and increased federal regulatory activity.

Funding

The sole funding source for the Consumer Counsel is a constitutionally earmarked tax levied on all regulated entities under the Public Service Commission's jurisdiction. The tax rate can be adjusted quarterly as necessary to adjust for a cash carryover from the previous fiscal year, preventing the accumulation of significant cash balances.

JUDICIARY

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	89.50	92.50	91.50	1.00-	92.50	92.00	.50-	2.00
Personal Services	3,920,526	4,259,126	4,385,389	126,263	4,247,401	4,610,017	362,616	11.86%
Operating Expenses	963,032	1,174,746	1,201,504	26,758	1,171,126	1,199,154	28,028	24.76%
Equipment	246,018	319,569	310,794	8,775-	315,857	292,549	23,308-	26.33%
Grants	2,533,236	2,734,526	2,605,415	129,111-	2,734,526	2,729,405	5,121-	2.85%
Total Costs	\$7,662,812	\$8,487,967	\$8,503,102	\$15,135	\$8,468,910	\$8,831,125	\$362,215	10.97%
<u>Fund Sources</u>								
General Fund	7,233,544	8,012,874	8,008,765	4,109-	7,995,878	8,348,037	352,159	10.72%
State Revenue Fund	429,268	475,093	494,337	19,244	473,032	483,088	10,056	15.16%
Total Funds	\$7,662,812	\$8,487,967	\$8,503,102	\$15,135	\$8,468,910	\$8,831,125	\$362,215	10.97%

Agency Description

The judicial branch of state government is provided for in Article III, Section I, and Article VII of the 1972 Montana Constitution. The jurisdiction of the Supreme Court consists of all appellate and original jurisdiction in petitions for writs of habeas corpus and other such writs, general supervisory control over all courts, and rule making powers for Montana courts.

Budget

The legislature implemented a 0.5 percent reduction in the total agency general fund budget for each year of the biennium. Since agencies will be allowed to allocate this budget reduction among programs, it is reflected in the agency table above but is not reflected in the program tables and narratives.

The legislature implemented a 4 percent across-the-board reduction in funding for total agency personal services in agencies with more than 20.0 FTE. However, the Judiciary was exempted from the personal services reduction in order to allow the agency to fund the market-based portion of the pay plan increase in House Bill 509. Funds were not appropriated to the Judiciary in House Bill 509 for market-based pay as all positions in the agency are exempt from classification on the state pay plan. The fiscal 1992 and 1993 pay plan increase is not included in the table above or in the program tables. Volume I of this report has a "Pay Plan" section that describes the pay plan increase and has a table showing allocations to each agency.

JUDICIARY

FTE increase by 2.0 between fiscal 1990 and 1992 due to the continuation of the court automation effort authorized by House Bill 320 by the 1989 legislature which adds 2.0 FTE. The legislature transferred the District Court Criminal Reimbursement program from the Department of Commerce, including 1.0 FTE. However, the District Court Criminal Reimbursement program expenditures and FTE are included in the fiscal 1990 totals so it will not show as an increase in FTE between fiscal 1990 and 1992. FTE increase by 0.5 in fiscal 1993 due to addition of a new judicial district effective January 1, 1993, authorized by House Bill 934. The Executive Budget included a new clerical FTE in the Water Court Supervision program that was not approved by the legislature. The Water Court judge testified that if the computer system were upgraded, the clerical FTE would not be necessary. The legislature funded the upgrade to the computer system.

Personal services increase 11.9 percent due to: 1) pay raises for judges authorized by the passage of Senate Bill 228 (\$153,893 general fund in fiscal 1992 and \$357,585 in fiscal 1993); 2) the court automation modified request for 2.0 FTE, which adds \$63,844 in fiscal 1992 and \$63,720 in fiscal 1993; 3) creation of a new district court judicial district which adds \$32,770 in fiscal 1993; 4) approval of a budget modification to increase salaries of exempt law clerks positions for a total of \$13,767 in fiscal 1992 and \$13,749 in fiscal 1993; 5) budgeting the full salary of the Water Court judge; 6) a budget modification to increase the salary of the deputy clerk of the supreme court by \$3,323 each year; and 7) continuation of the fiscal 1991 pay plan in the 1993 biennium.

The operating budget increases 24.8 percent. Some of the major changes between fiscal 1990 and fiscal 1992 are: 1) the budget modifications, identified in the following table, which add \$74,079 in fiscal 1992 and \$72,577 in fiscal 1993; 2) fee-reimbursed increases in automated legal data bases, which add \$46,108 in fiscal 1992 and \$56,834 in fiscal 1993; 3) an increase in training-related costs for Supreme Court and District Court judges of \$18,209 annually; 4) an increase in fee-reimbursed training costs for courts of limited jurisdiction of about \$14,700 annually; 5) network service fees of \$15,890 annually; 6) the legislative audit in fiscal 1992 of \$15,626; and 7) an increase in contracted services of \$9,877 in fiscal 1992 and \$13,417 in fiscal 1993 to hire investigators for the Commission on Practice which reviews complaints against attorneys and recommends disciplinary action and to fund fee-reimbursed training expenses for courts of limited jurisdiction. Other smaller changes to program budgets approved by the legislature are discussed in the following program narratives.

Equipment includes books for the law library and personal computers and software for the Supreme Court judges and for the Water Court Supervision program. It is the intent of the legislature that if other revenue becomes available to pay for computer equipment supported by general fund, that the other revenue replace the general fund appropriation. Inflation in book prices accounts for about \$25,000 of the annual equipment budget. Fiscal 1992 equipment costs are higher than fiscal 1993 as several sets of the Montana Code Annotated are purchased for the code exchange among states.

Grants increase 2.9 percent and include reimbursement to counties for district court operating expenses.

JUDICIARY

Budget Modifications

<u>Modification Type</u>	<u>-----Executive-----</u>		<u>-----Legislative-----</u>		<u>Total</u> <u>92-93</u>
	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>	<u>General Fund</u> <u>92-93</u>	
1) Court Automation	2.0	2.0	\$203,293	\$203,293	\$203,293
2) Law Clerk Parity				27,516	27,516
3) Clerk of Court Training				8,000	8,000
4) Law Library Book Inflation				19,821	19,821
5) Deputy Clerk of Court Salary Increase				6,646	6,646
6) SB228 Judicial Salary Increase				500,034	511,478
7) HB934 21st Judicial District				32,770	32,770
8) HB864 District Court Criminal Reimbursement Program	---	---	---	5,491,000	5,491,000
Total	2.0	2.0	\$203,293	\$6,289,080	\$6,300,524

Each of these budget modifications is discussed in greater detail in the following program narratives.

Funding

With the exception of the Water Court Supervision program, the Judiciary is supported by general fund. However, the agency collects fees for some services which are deposited to the general fund. Such collections offset about \$211,000 of fiscal 1990 operating expenses, not including vehicle taxes assessed by counties to fund district court criminal cost reimbursements of about \$2.5 million. The Water Court Supervision program is funded from the water development state special revenue account.

JUDICIARY

Other Legislation

<u>Bill No./Description</u>	<u>-----Fiscal 1992-----</u>			<u>-----Fiscal 1993-----</u>		
	<u>FTE</u>	<u>General Fund</u>	<u>Total Funds</u>	<u>FTE</u>	<u>General Fund</u>	<u>Total Funds</u>
HB 903 - Court Automation	0.0	\$420,000	\$620,000*	0.0	\$0	\$0

* The appropriations are biennial appropriations.

House Bill 903 - Court Automation - This bill appropriates \$420,000 general fund and \$200,000 federal funds over the biennium to the Supreme Court for court automation projects. The funds must be used to improve information systems, case management systems, and the administration of justice. The Supreme Court shall report to the 1993 legislature the status of judicial automation. House Bill 903 also struck legislative intent in the narrative accompanying House Bill 2 regarding reduction of the general fund budget modification for court automation.

Senate Bill 229 - Review of Judicial Budget Request - This bill requires the Governor to include the judicial branch budget request as submitted in the Executive Budget. However, the bill also establishes that any expenditures in the judicial budget request above current level funding need not be part of the balanced budget required by Section 17-7-123, MCA.

SUPREME COURT OPERATIONS

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
FTE	32.00	30.00	30.00	.00	30.00	30.00	.00	-2.00
Personal Services	971,058	1,097,225	1,134,437	37,212	1,095,127	1,163,424	68,297	16.82%
Operating Expenses	276,304	335,077	351,414	16,337	331,528	338,629	7,101	27.18%
Equipment	<u>11,951</u>	<u>32,141</u>	<u>33,100</u>	<u>959</u>	<u>32,268</u>	<u>30,460</u>	<u>1,808-</u>	<u>176.96%</u>
Total Costs	\$1,259,313	\$1,464,443	\$1,518,951	\$54,508	\$1,458,923	\$1,532,513	\$73,590	20.62%
<u>Fund Sources</u>								
General Fund	<u>1,259,313</u>	<u>1,464,443</u>	<u>1,518,951</u>	<u>54,508</u>	<u>1,458,923</u>	<u>1,532,513</u>	<u>73,590</u>	<u>20.62%</u>
Total Funds	\$1,259,313	\$1,464,443	\$1,518,951	\$54,508	\$1,458,923	\$1,532,513	\$73,590	20.62%

Program Description

The Supreme Court has appellate jurisdiction for the State of Montana. It has original jurisdiction to issue, hear, and determine writs of habeas corpus and such other writs as may be provided by law. In addition, it has general supervisory control over all other courts in the state. The Supreme Court is also charged with establishing rules governing appellate procedure, the practice and procedure for all other courts, admission to the bar, and the conduct of its members. The Supreme Court consists of a chief justice and six justices. The Supreme Court Operations program manages day-to-day operations of the Court.

Language

"[Judicial salary increases] are appropriated if Senate Bill No. 228 is passed and approved." Senate Bill 228 was signed into law.

Legislative Intent

The court automation modified request approved by the legislature is to be presented as a separate component in the 1995 biennium agency budget request.

SUPREME COURT OPERATIONS

Budget

FTE decline a net of 2.0 positions. A reorganization moves 4.0 FTE to the Clerk of Court program, while a budget modification adds 2.0 FTE to continue court automation efforts authorized in House Bill 320 by the 1989 legislature.

Personal services increase 16.8 percent due to: 1) the court automation budget modification for 2.0 FTE, which adds \$63,844 in fiscal 1992 and \$63,720 in fiscal 1993; 2) judicial pay raises for Supreme Court justices approved in Senate Bill 228, which adds \$25,105 in fiscal 1992 and \$56,203 in fiscal 1993; 3) approval of a budget modification to increase law clerks' salaries commensurate with reclassification of attorney positions statewide, which adds \$13,767 in fiscal 1992 and \$13,749 in fiscal 1993; 4) vacancy savings in fiscal 1990; and 5) continuation of the fiscal 1991 pay plan, which for some exempt staff averaged more than 2.5 percent. Three positions received raises of 20 percent or more.

The operating budget increases 27.2 percent due to: 1) two budget modifications which add \$19,762 annually; 2) network service fees of \$15,890 annually; 3) the legislative audit in fiscal 1992 of \$15,626; 4) an increase in training-related travel for Supreme Court justices of \$7,146 in fiscal 1992 and \$13,566 in fiscal 1993; 5) an increase of \$9,242 annually for character and fitness examinations for applicants to the Montana Bar (the cost of which is offset by fees deposited to the general fund); 6) rent costs which increase \$6,503 in fiscal 1992 and \$8,172 in fiscal 1993; and 7) other fixed cost and inflationary adjustments.

Current level equipment includes seven personal computers and software for the Supreme Court judges. Four are authorized in fiscal 1992 and three in fiscal 1993. Equipment included in the court automation budget modification includes \$42,077 for computer equipment and \$2,124 in office equipment for the biennium.

Budget Modifications

Modification Type	Executive		Legislature		Total
	FTE FY92	FTE FY93	General Fund 92-93	General Fund 92-93	
1) Court Automation	2.0	2.0	\$203,293	\$203,293	\$203,293
2) Law Clerk Parity				27,516	27,516
3) Clerk of Court Training				8,000	8,000
4) SB228-Judicial Salary Increases				81,308	81,308
Total	2.0	2.0	\$203,293	\$320,117	\$320,117

SUPREME COURT OPERATIONS

- 1) Court Automation - This budget modification continues the FTE and funding level authorized by House Bill 320 passed by the 1989 legislature to purchase hardware and software for a pilot automation project and begin development of uniform software applications and computer training for district courts and courts of limited jurisdiction. This budget modification costs \$203,293 general fund over the biennium.
- 2) Law Clerk Parity - This budget modification adds \$27,516 general fund over the biennium to increase law clerk salaries. Although law clerk positions are exempt, the agency hires law clerks at a pay level similar to grade 13, step 2 (or \$20,669 annually excluding benefits and insurance). Classified attorney positions were reclassified, resulting in an entry grade no lower than 14, step 2 or \$22,471 annually. The legislature approved salary increases for 14 law clerks who assist the justices of the Supreme Court. Although all the positions are exempt from classification on the state pay matrix, 12 of the positions are paid at a rate equivalent to a grade 13, step 2. The remaining two are paid the equivalent of a grade 15, step 7 (\$27,095) and a grade 13, step 3 (\$21,088). The modification would allow law clerk positions to be paid at a higher rate, although the amount of the modification is not sufficient to fund a one grade increase commensurate with reclassification of other attorney positions statewide. It would take twice the amount in the budget modification to fully fund a one grade increase for all law clerk positions.
- 3) Clerk of Court Training - This budget modification allows \$8,000 general fund for the biennium to fund travel, meals, lodging, and materials for presenters participating in the Clerk of Court Training School. This school provides instruction to clerks of court to improve operations of clerk offices.
- 4) SB 228-Judicial Salary Increases - This bill incrementally increases Supreme Court and District Court judges' salaries every six months during the 1993 biennium, until each position is paid \$5,000 more than during the 1991 biennium. The total increase is about 8.4 percent for Supreme Court justices.

Funding

The Supreme Court Operations program is funded entirely by general fund. However, the program collects fees for some services which are deposited to the general fund. Such collections offset about \$9,245 of fiscal 1990 operating expenses.

BOARDS AND COMMISSIONS

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	3.00	3.00	3.00	.00	3.00	3.00	.00	.00
Personal Services	87,082	91,153	91,245	92	91,117	91,290	173	4.78%
Operating Expenses	116,794	153,140	154,591	1,451	149,746	154,683	4,937	32.36%
Equipment	491	800	0	800-	800	0	800-	-100.00%
Total Costs	\$204,367	\$245,093	\$245,836	\$743	\$241,663	\$245,973	\$4,310	20.29%
Fund Sources								
General Fund	204,367	245,093	245,836	743	241,663	245,973	4,310	20.29%
Total Funds	\$204,367	\$245,093	\$245,836	\$743	\$241,663	\$245,973	\$4,310	20.29%

Program Description

The Boards and Commissions program oversees functions assigned to the Supreme Court either by legislative or constitutional mandate. Boards and commissions manage judicial discipline, rules, admission to the bar, and various other substantive issues aimed at improving and maintaining the administration of justice. Such commissions and boards include: the Judicial Standards Commission; Sentence Review Division; Commission on Practice; Board of Bar Examiners; and the Judicial Nominations Commission. See Volume I of the Budget Analysis for a summary of board and commission activities.

Budget

Personal services increase 4.8 percent due to vacancy savings in fiscal 1990 and continuation of the fiscal 1991 pay plan.

The operating budget increases 32.4 percent due to: 1) an increase in contracted services of \$27,688 in fiscal 1992 and \$27,708 in fiscal 1993 to hire investigators for the Commission on Practice (which reviews complaints against attorneys and recommends disciplinary action) and to fund fee-reimbursed training expenses for courts of limited jurisdiction (which offsets \$14,714 of the increased cost); 2) an increase of \$3,500 in fiscal 1992 to update the judge's benchmark; 3) annual increases of \$3,026 in maintenance, \$2,000 in rent, and \$1,844 in training costs for fee-reimbursed training for courts of limited jurisdiction; 4) annual increases in travel costs of \$1,600 to reimburse newly appointed boards and commissions members who live further away from Helena than previous members; and 6) other fixed cost and inflationary adjustments. At the agency's request, the legislature established a separate line-item appropriation for the Judicial Standards Commission of \$2,445 per year.

BOARDS AND COMMISSIONS

Funding

The Boards and Commissions program is funded entirely by general fund. However, the training program for courts of limited jurisdiction collects registration fees which are deposited to the general fund. Fiscal 1990 expenditures for training were \$21,850 and training revenue deposited to the general fund was \$22,186. The annual income expected to be generated in the 1993 biennium is \$36,900.

LAW LIBRARY

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	6.50	6.50	6.50	.00	6.50	6.50	.00	.00
Personal Services	169,526	180,000	180,000	0	179,825	179,825	0	6.18%
Operating Expenses	268,812	317,592	328,433	10,841	321,476	340,325	18,849	22.18%
Equipment	225,243	252,128	245,903	6,225-	247,789	243,689	4,100-	9.17%
Total Costs	\$663,581	\$749,720	\$754,336	\$4,616	\$749,090	\$763,839	\$14,749	13.68%
<u>Fund Sources</u>								
General Fund	663,581	749,720	754,336	4,616	749,090	763,839	14,749	13.68%
Total Funds	\$663,581	\$749,720	\$754,336	\$4,616	\$749,090	\$763,839	\$14,749	13.68%

Program Description

The State Law Library is a reference source for members and staff of the Supreme Court, lower courts, members and staff of the legislature, state officers and employees, members of the bar, and the general public. The inventory of books and materials on-hand can be classified into the following categories: treatises, law reviews, reports, microfilm, and video/audio tapes for continuing legal education. The State Law Library is governed by a Board of Trustees consisting of the justices of the Supreme Court. The board appoints the Law Librarian.

Language

"Except for \$16,000 for Law Library use, expenditures in [automated legal data bases] are limited to the amount of revenue collected from reimbursable automated legal data base usage by other entities."

Budget

Personal services increase 6.2 percent due to: 1) vacancy savings in fiscal 1990; and 2) continuation of the fiscal 1991 pay plan in the 1993 biennium.

The operating budget increases 22.2 percent due to: 1) a budget modification which adds about \$9,900 annually; 2) an increase in the use of automated legal data bases, which adds \$46,108 in fiscal 1992 and \$56,834 in fiscal 1993; 4) an increase in photocopying expenses of \$3,480 annually; 5) an annual increase of \$1,030 for maintenance; and 6) other fixed cost and inflationary adjustments.

LAW LIBRARY

The major item included in the equipment category is library books and other reference materials. Equipment also includes \$6,000 per year for video tape replacement and two microform cabinets per year, and a budget modification which adds about \$9,900 each year to offset historic inflation in the cost of library books.

Budget Modification

Modification Type	-----Executive-----			-----Legislature-----		
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93
1) Law Library Book Inflation	0.0	0.0	\$0	\$0	0.0	0.0
					\$19,821	\$19,821

1) Law Library Book Inflation - This budget modification adds \$19,821 general fund over the biennium to reflect the historic inflation experienced in the price of law library reference materials. The current level allows \$17,318 for inflation for book purchases in 1992 and \$16,398 in fiscal 1993. The agency testified that although inflation for some book purchases has been recognized in previous budgets, the inflation factor was not applied to law library book purchases in the equipment category.

Funding

The Law Library program is funded entirely by general fund. However, the program collects fees for some services which are deposited to the general fund, including payments for use of automated legal data bases, rental of instructional video tapes, and photocopying fees. Such collections offset about \$147,162 of fiscal 1990 operating expenses.

DISTRICT COURT OPERATIONS

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	36.00	36.00	36.00	.00	36.00	36.50	.50	.00
Personal Services	2,210,597	2,377,200	2,500,437	123,237	2,368,920	2,692,672	323,752	13.11%
Operating Expenses	134,330	167,665	159,230	8,435-	168,638	161,168	7,470-	18.54%
Equipment	5,796	20,000	0	20,000-	20,000	0	20,000-	-100.00%
Total Costs	\$2,350,723	\$2,564,865	\$2,659,667	\$94,802	\$2,557,558	\$2,853,840	\$296,282	13.14%
Fund Sources								
General Fund	2,350,723	2,564,865	2,659,667	94,802	2,557,558	2,853,840	296,282	13.14%
Total Funds	\$2,350,723	\$2,564,865	\$2,659,667	\$94,802	\$2,557,558	\$2,853,840	\$296,282	13.14%

Program Description

The District Court Operations program allocates monies to pay salaries, travel, and training expenses for 36 elected district judges throughout Montana's 20 judicial districts. Other operational costs of the district courts are paid by other state agencies and local governments. District courts are general jurisdiction trial courts having original jurisdiction in all criminal cases for felony cases and all civil matters and cases at law.

Language

"[Judicial salary increases] are appropriated if Senate Bill No. 228 is passed and approved."

"[21st judicial district salary, training, travel] is contingent on passage and approval of House Bill 934 and [judicial salary increase] is contingent on passage and approval of both House Bill No. 934 and Senate Bill no. 228."

Both bills were signed into law.

Budget

FTE increase by 0.5 in fiscal 1993 due to the creation of a new judicial district effective January 1, 1993 as authorized by House Bill 994.

WATER COURTS SUPERVISION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	11.00	12.00	11.00	1.00-	12.00	11.00	1.00-	.00
Personal Services	316,962	358,786	347,041	11,745-	358,012	350,864	7,148-	9.49%
Operating Expenses	110,859	101,807	115,505	13,698	102,020	113,824	11,804	4.19%
Equipment	1,447	14,500	31,791	17,291	13,000	18,400	5,400	2097.03%
Total Costs	\$429,268	\$475,093	\$494,337	\$19,244	\$473,032	\$483,088	\$10,056	15.16%
<u>Fund Sources</u>								
State Revenue Fund	429,268	475,093	494,337	19,244	473,032	483,088	10,056	15.16%
Total Funds	\$429,268	\$475,093	\$494,337	\$19,244	\$473,032	\$483,088	\$10,056	15.16%

Program Description

The Water Courts Supervision program adjudicates claims of existing water rights in Montana and supervises the distribution of water among the four water divisions of the state as defined in Section 3-7-102, MCA. The program goal is to expedite the adjudication of water rights established prior to 1973 and of existing water rights in all 85 water basins.

Language

"[Judicial salary increases] are appropriated if Senate Bill No. 228 is passed and approved." The bill was signed into law.

Budget

Fiscal 1992 personal services costs are 9.5 percent higher than fiscal 1990 due to: 1) vacancy savings in fiscal 1990; 2) continuation of the fiscal 1991 pay plan in the 1993 biennium; 3) budgeting the salary of the Water Court judge position at the statutorily mandated level (Section 3-7-222, MCA); and 4) the judicial salary increase authorized in Senate Bill 228 which adds \$11,444 over the biennium. The last legislature appropriated only part of the salary for the water court judge as the position was held by a retired judge, who received supplemental retirement pay.

The operating budget increases 4.2 percent due to: 1) an increase in communications costs which adds \$5,000 annually; 2) an increase in education and training costs of \$3,427 annually; 3) travel cost increases of \$2,625 annually; 4) the cost of the legislative audit

WATER COURTS SUPERVISION

in fiscal 1992 of \$1,736; and 5) other fixed cost and inflationary adjustments. A reduction of \$9,807 for lease payments for the word processing system partially offsets the increases.

The program is budgeted for the same level of activity as in the 1991 biennium. Water Court activity is dependent to some degree on the number of water rights that the Department of Natural Resources and Conservation (DNRC) can review and process. Once DNRC has processed all water rights in a basin, the Court issues a temporary preliminary decree for that basin and begins its work of resolving contested water rights. DNRC estimates that it will conclude its work in five basins in the 1993 biennium, compared to a planned completion of three basins in the 1991 biennium. There are 85 basins in the state and the Water Court has issued eight temporary preliminary decrees.

Equipment includes personal computers and software to replace the word processing system now in use. The acquisition of personal computers alleviates the need for the ongoing lease cost of \$9,807 for the word processing system. The Executive Budget included a new 1.0 clerical FTE that the Judiciary testified was not needed due to the authorization to purchase the new personal computer system, which would give all staff greater access to word processing and document management systems.

Funding

The program is funded from the water development state special revenue account, which receives revenue from resource indemnity trust interest, water development project revenues and the coal severance tax.

CLERK OF COURT

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	.00	4.00	4.00	.00	4.00	4.00	.00	4.00
Personal Services	127,446	130,067	133,390	3,323	129,762	133,085	3,323	4.66%
Operating Expenses	28,955	30,265	38,014	7,749	30,274	37,995	7,721	31.29%
Equipment	1,090	0	0	0	2,000	0	2,000-	-100.00%
Total Costs	\$157,491	\$160,332	\$171,404	\$11,072	\$162,036	\$171,080	\$9,044	8.83%
Fund Sources								
General Fund	157,491	160,332	171,404	11,072	162,036	171,080	9,044	8.83%
Total Funds	\$157,491	\$160,332	\$171,404	\$11,072	\$162,036	\$171,080	\$9,044	8.83%

Program Description

The Clerk of Court program performs several support and operational duties for the Supreme Court. The program keeps the court records and files, issues writs and certificates, approves bonds as required, files all papers and transcripts, and performs such other duties as required by law and the rules and practice of the Supreme Court (Title 3, Chapter 2, Part 4, MCA).

Budget

FTE increase by 4.0 as a reorganization moved these positions from the Supreme Court Operations program to the Clerk of Court program in fiscal 1990.

Fiscal 1992 personal services costs increase by 4.7 percent from fiscal 1990 due to: 1) a budget modification which increases the salary of the deputy clerk of the Supreme Court by \$3,323 each year; and 2) continuation of the fiscal 1991 pay plan in the 1993 biennium.

The operating budget increases 31.3 percent due to: 1) an increase in communications costs to allow the program to reinstate the practice of returning documents by certified mail, which adds \$4,925 each year; 2) an increase in records storage costs which adds \$1,237 annually; 3) travel cost increases of \$1,038 annually; 4) an increase in computer training costs of \$698 annually; 5) an increase in supplies costs of \$815 each year; and 5) other fixed cost and inflationary adjustments.

CLERK OF COURT

Budget Modification

Modification Type	-----Executive-----				-----Legislative-----			
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) Salary Increase-- Deputy Clerk of Court	0.0	0.0	\$0	\$0	0.0	0.0	\$6,646	\$6,646

1) Salary Increase--Deputy Clerk of Court - This budget modification funds a pay increase for the deputy clerk of the supreme court of \$3,323 each year--an increase of \$2,718 in salary and \$605 in benefits. The annual salary (excluding benefits and insurance) rises from a base level of \$31,769 in fiscal 1992 to \$34,487 in fiscal 1992 due to the budget modification.

Funding

The program is funded from the general fund.

DISTRICT COURT CRIMINAL REIMBURSEMENT

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	1.00	1.00	1.00	.00	1.00	1.00	.00	.00
Personal Services	37,855	24,695	24,695	0	24,638	24,638	0	-34.77%
Operating Expenses	26,978	69,200	54,317	14,883-	67,444	52,530	14,914-	101.34%
Grants	<u>2,533,236</u>	<u>2,734,526</u>	<u>2,605,415</u>	<u>129,111-</u>	<u>2,734,526</u>	<u>2,729,405</u>	<u>5,121-</u>	<u>2.85%</u>
Total Costs	\$2,598,069	\$2,828,421	\$2,684,427	\$143,994-	\$2,826,608	\$2,806,573	\$20,035-	3.32%
Fund Sources								
General Fund	<u>2,598,069</u>	<u>2,828,421</u>	<u>2,684,427</u>	<u>143,994-</u>	<u>2,826,608</u>	<u>2,806,573</u>	<u>20,035-</u>	<u>3.32%</u>
Total Funds	<u>\$2,598,069</u>	<u>\$2,828,421</u>	<u>\$2,684,427</u>	<u>\$143,994-</u>	<u>\$2,826,608</u>	<u>\$2,806,573</u>	<u>\$20,035-</u>	<u>3.32%</u>

Program Description

The District Court Criminal Reimbursement program provides reimbursement to counties for the certain costs related to criminal cases (Section 3-5-901, MCA). Counties deduct 7 percent of the 2 percent tax collected on automobiles and trucks, with a rated capacity of three-quarters of a ton or less, to fund district court criminal costs (Section 61-3-509 (2), MCA). These funds are remitted to the state treasurer and paid back to counties. If funds appropriated for district court criminal expenses exceed such expenses, counties may apply for and be awarded grants for district court expenses (Section 7-6-2352, MCA). If the state appropriation is insufficient to cover district court criminal expenses, counties are liable for such expenses.

Language

"If revenue deposited to the general fund under the provisions of 61-3-509 is less than the appropriation for district court reimbursement, the Supreme Court administrator shall reduce the reimbursement to an amount equal to the revenue collected."

Budget

The legislature transferred the District Court Criminal Reimbursement program from the Department of Commerce to the Judiciary in House Bill 864, effective July 1, 1991.

DISTRICT COURT CRIMINAL REIMBURSEMENT

Fiscal 1992 personal services costs decrease by 34.8 percent from fiscal 1990 as administrative time was paid directly from personal services rather than as a recharge in program operating expenses and due to continuation of the 1991 pay plan in the 1993 biennium. The 1993 biennium operating budget contains about \$6,700 each year for administrative recharges.

The operating budget increases 101.3 percent due to: 1) an increase in the cost of district court audits for about \$15,000 each year; 2) administrative recharges of \$6,700 annually; and 3) other fixed cost and inflationary adjustments.

Grants increase by 2.8 percent due to budgeting the amount estimated to be available for transfer to counties. Language included in House Bill 2 limits grants to the amount of revenue collected by counties.

House Bill 246 passed by the legislature creates an Appellate Defender Commission that is administratively attached to the Department of Administration. The bill appropriates \$100,000 each year of the biennium to fund the commission. The appropriation is made from the vehicle assessments that fund the district court criminal reimbursement program. The bill requires that the commission appropriation must be funded prior to district court costs.

Funding

The program is funded from the general fund which is offset by deposit of taxes assessed on vehicles and collected by counties and remitted to the state.

GOVERNOR'S OFFICE

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	65.20	59.20	59.50	.30	59.20	59.50	.30	-5.70
Personal Services	1,915,531	2,156,365	2,062,670	93,695-	2,156,884	2,062,010	94,874-	7.68%
Operating Expenses	936,877	1,828,076	853,475	974,601-	1,905,615	879,541	1,026,074-	-8.90%
Equipment	287,473	208,559	208,559	0	19,381	19,381	0	-27.45%
Grants	97,868	0	0	0	0	0	0	-100.00%
Total Costs	\$3,237,749	\$4,193,000	\$3,124,704	\$1,068,296-	\$4,081,880	\$2,960,932	\$1,120,948-	-3.49%
Fund Sources								
General Fund	2,450,635	3,659,264	2,596,321	1,062,943-	3,548,231	2,432,856	1,115,375-	5.94%
State Revenue Fund	397,085	80,413	78,221	2,192-	80,413	78,186	2,227-	-80.30%
Federal Revenue Fund	390,029	453,323	450,162	3,161-	453,236	449,890	3,346-	15.42%
Total Funds	\$3,237,749	\$4,193,000	\$3,124,704	\$1,068,296-	\$4,081,880	\$2,960,932	\$1,120,948-	-3.49%

Agency Description

The Office of the Governor was created upon acceptance of Montana into the United States in 1889 and exists under authority contained in Article VI of the Montana Constitution. The Governor has constitutional and statutory authority to administer the affairs of the State of Montana; appoint all military and civil officers of the state whose appointments are provided for by statute or the Constitution; approve or disapprove legislation; report to the legislature on the condition of the state; submit a biennial executive budget; grant reprieves and pardons; serve on various boards and commissions as provided by the Constitution and statutes; and represent the state in relations with other governments and the public.

Language

"Public funds may not be used to support the Governor's radio newslsline, a telephone service providing recorded news briefs."

Budget

The Governor's Office budget shows a decrease from fiscal 1990 to 1992, due to offsetting factors. Decreases occur in the following programs: 1) the Statehood Centennial Office, which terminates at the end of the 1991 biennium; 2) the Air Transportation program, due to final payment for the new aircraft in fiscal 1992; and 3) the Mansion Maintenance program, which had a number of one-time

GOVERNOR'S OFFICE

expenses in fiscal 1990. These program decreases are nearly offset by increases of up to 16.5 percent in the other programs. The primary reasons for increases are vacancy savings in fiscal 1990 in most programs, a significant increase in the Flathead Basin Commission budget over the fiscal 1990 level, and increases in federal funding for the Northwest Regional Power Act program and the Mental Disabilities Board of Visitors program.

The legislature implemented a 0.5 percent (\$25,285) reduction in the agency's total general fund budget for both years of the biennium. Since the agency will be allowed to allocate this budget reduction among programs, it is reflected in the agency table above but is not reflected in the program tables and narratives.

FTE decrease due to the elimination of the Statehood Centennial Office program and the Clark Fork Coordinator position, partially offset by the addition of a 0.3 FTE in the Mental Disabilities Board of Visitors program.

The legislature implemented a 4 percent (\$172,914) across-the-board reduction in funding for the total agency personal services in fiscal 1992 and 1993. Funding sources were reduced in proportion to the total personal services at the program level.

The pay plan increase for fiscal 1992 and fiscal 1993 (House Bill 509) is not included in the table above or in the program tables. In Volume I of this report in the "Pay Plan" section is a description of the pay plan increase and a table showing allocations to each agency.

Budget Modification

Modification Type	Executive			Legislative		
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93
1) NASBO 1992 National Meeting			\$10,000	\$10,000		
2) Equipment Replacement			4,000	4,000		
Total	0.0	0.0	\$14,000	\$14,000	0.0	0.0
				\$10,000		
				4,000		
				\$14,000		
				\$10,000		
				4,000		
				\$14,000		

The budget modifications shown in the table above are described in the program narrative.

The Executive Budget originally requested a budget modification for \$2.0 million general fund and \$8.0 million other fund spending authority for the natural resource damage assessment and litigation. This request was revised during the 1991 legislative session, when the Executive requested and received authorization for a \$4.9 million general fund loan to the Department of Health and Environmental Sciences for this purpose.

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GOVERNOR'S OFFICE

Funding

State special revenue funds decrease due to the elimination of the Statehood Centennial program. The remaining activity funded by state special revenue funds is the Flathead Basin Commission in the Executive Office program. Federal funds provide 100 percent of the Northwest Regional Power Act program budget and a \$48,500 per year grant to the Mental Disabilities Board of Visitors program. The remainder of the Governor's Office Budget is supported by general fund.

EXECUTIVE OFFICE PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	21.50	21.50	21.50	.00	21.50	21.50	.00	.00
Personal Services	680,892	793,932	762,175	31,757-	796,008	762,248	33,760-	11.94%
Operating Expenses	270,863	1,337,875	348,327	989,548-	1,339,899	331,098	1,008,801-	28.60%
Equipment	3,272	2,175	2,175	0	2,175	2,175	0	-33.53%
Total Costs	\$955,027	\$2,133,982	\$1,112,677	\$1,021,305-	\$2,138,082	\$1,095,521	\$1,042,561-	16.51%
<u>Fund Sources</u>								
General Fund	944,954	2,053,569	1,034,455	1,019,114-	2,057,669	1,017,335	1,040,334-	9.47%
State Revenue Fund	10,073	80,413	78,221	2,192-	80,413	78,186	2,227-	676.54%
Federal Revenue Fund	0	0	1	1	0	0	0	.00%
Total Funds	\$955,027	\$2,133,982	\$1,112,677	\$1,021,305-	\$2,138,082	\$1,095,521	\$1,042,561-	16.51%

Program Description

The Executive Office program provides support to the Governor in overseeing and coordinating the activities of the executive branch of Montana state government. The program provides administrative, legal, press, and centralized services support for the office of the Governor, as well as executive administration of programs with special impact on the citizens and governmental concerns of Montana. Special programs include coordination of services for senior citizens and preserving clean water in the Flathead Basin.

Budget

The Executive Office budget increases from fiscal 1990 to 1992 primarily due to personal services increases, new network service fees, and continued funding for the Flathead Basin Commission at the fiscal 1991 appropriated level, which is higher than fiscal 1990 expenditures.

Personal services increase due to vacancy savings in fiscal 1990 and the fiscal 1991 pay plan increase which continues into the 1993 biennium.

Operating expenses increase over fiscal 1990 levels due to: 1) actual expenditures in fiscal 1990 for the Flathead Basin Commission of \$10,073, compared to a 1993 biennium budget of over \$78,000 per year; 2) increases of over \$20,000 per year for fixed costs such

EXECUTIVE OFFICE PROGRAM

as audit and computer network fees; and 3) inflationary adjustments. The fiscal 1992 appropriation is higher than fiscal 1993 due to a biennial appropriation of \$18,152 for audit fees.

Equipment includes \$1,270 per year for replacement file cabinets, chairs, and tables, plus \$905 per year for computer software.

Since the Clark Fork River Basin project was completed in fiscal 1990, it is not included in the 1993 biennium budget. The Flathead Basin Commission, which is authorized to raise private and other funds to perform its mission, is funded at the 1991 biennium appropriation level.

Funding

The program is funded by general fund with the exception of the Flathead Basin Commission, which is funded by private funding placed in a state special revenue account.

MANSION MAINTENANCE PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	1.50	1.50	1.50	.00	1.50	1.50	.00	.00
Personal Services	27,053	31,952	30,674	1,278-	31,946	30,668	1,278-	13.38%
Operating Expenses	25,136	26,972	28,424	1,452	26,951	29,183	2,232	13.08%
Equipment	11,845	0	0	0	0	0	0	-100.00%
Total Costs	\$64,034	\$58,924	\$59,098	\$174	\$58,897	\$59,851	\$954	-7.71%
<u>Fund Sources</u>								
General Fund	64,034	58,924	59,098	174	58,897	59,851	954	-7.71%
Total Funds	\$64,034	\$58,924	\$59,098	\$174	\$58,897	\$59,851	\$954	-7.71%

Program Description

The Mansion Maintenance program is responsible for maintenance of the Governor's official residence.

Budget

The Mansion Maintenance current level budget decreases due primarily to one-time expenditures in fiscal 1990 for replacing linens, tableware, draperies, and other household equipment. Personal services increase due to the fiscal 1991 pay plan increase which continues into the 1993 biennium and staffing at less than the fiscal 1990 appropriation level. Operating expenses increase as they are funded at fiscal 1991 appropriated levels (with inflationary adjustments), which were higher than actual expenditures in fiscal 1990.

AIR TRANSPORTATION PROGRAM

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
FTE	1.00	1.00	1.00	.00	1.00	1.00	.00	.00
Personal Services	28,816	40,003	38,403	1,600-	40,232	38,623	1,609-	33.27%
Operating Expenses	77,506	96,498	94,342	2,156-	124,202	120,396	3,806-	21.72%
Equipment	247,687	184,645	184,645	0	0	0	0	-25.45%
Total Costs	\$354,009	\$321,146	\$317,390	\$3,756-	\$164,434	\$159,019	\$5,415-	-10.35%
<u>Fund Sources</u>								
General Fund	354,009	321,146	317,390	3,756-	164,434	159,019	5,415-	-10.35%
Total Funds	\$354,009	\$321,146	\$317,390	\$3,756-	\$164,434	\$159,019	\$5,415-	-10.35%

Program Description

The Air Transportation program is responsible for providing the Governor with safe and reliable air transportation.

Budget

The Air Transportation 1993 biennium current level decreases over 10 percent from fiscal 1990 to 1992, due to a lower debt service payment on the new aircraft in fiscal 1992 than in fiscal 1990. The three-year payoff of the aircraft will be completed in fiscal 1992 and the budget for fiscal 1993 is significantly lower for that reason. The aircraft is budgeted for 220 flight hours each year in the 1993 biennium.

While personal services costs appear to increase 33.3 percent, actual fiscal 1990 costs were \$8,600 higher than shown. These additional personal services costs were paid from a supplemental appropriation in fiscal 1990 that is not reflected in fiscal 1990 costs. Personal services costs increase due to the continuation of the fiscal 1991 pay plan increase and workers' compensation insurance rate increases.

The increase in operating costs is due to additions of \$10,250 per year for co-pilot costs, inflationary adjustments for higher fuel costs, and cyclical costs of scheduled aircraft maintenance in fiscal 1993.

Equipment is for the final payment on the new Beechcraft King-Air of \$184,645 in fiscal year 1992. The actual cost of the new aircraft was \$661,000 (including debt service and acquisition costs), which was \$54,000 less than the maximum \$715,000 authorized by the 1989 legislature.

OFFICE OF BUDGET & PROGRAM PLANNING

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
FTE	19.00	19.00	19.00	.00	19.00	19.00	.00	.00
Personal Services	574,226	692,535	665,045	27,490-	691,629	664,178	27,451-	15.82%
Operating Expenses	155,358	127,201	139,818	12,617	172,942	155,170	17,772-	-10.00%
Equipment	13,550	19,609	19,609	0	15,076	15,076	0	44.72%
Total Costs	\$743,134	\$839,345	\$824,472	\$14,873-	\$879,647	\$834,424	\$45,223-	10.95%
<u>Fund Sources</u>								
General Fund	743,134	839,345	824,472	14,873-	879,647	834,424	45,223-	10.95%
Total Funds	\$743,134	\$839,345	\$824,472	\$14,873-	\$879,647	\$834,424	\$45,223-	10.95%

Program Description

The Office of Budget and Program Planning (OBPP) assists the Governor in the preparation and administration of the state budget. In addition, OBPP prepares and monitors revenue estimates and collections, prepares and publishes fiscal notes on proposed legislation and initiatives, and acts as approving authority for operational plan changes, program transfers, and budget amendments. OBPP acts as the lead executive branch agency for compliance with the federal Single Audit Act.

Budget

The OBPP budget increases primarily due to increased personal services costs. The 15.8 percent increase in personal services reflects a high vacancy savings rate in fiscal 1990 and the fiscal 1991 pay plan increase that continues into the 1993 biennium. In addition, the cost of the budget director's position is not included in fiscal 1990 personal services as it was paid on a contract basis with the federal government. The total number of FTE remains the same, although one position was transferred to the Executive Office and one position was transferred from the Lieutenant Governor's Office to this program to perform the clearinghouse function.

Operating expenses decrease due primarily to a one-time cost of \$31,050 in fiscal 1990 for personal services done on a contract basis (the director's salary and some clerical assistance). The fiscal year 1992 appropriation includes a biennial appropriation of \$17,362 for audit fees. Increases in fiscal 1993 reflect higher session year costs for printing, postage, and computer processing.

Equipment includes \$26,810 for the biennium for computer equipment upgrades and \$3,875 for computer software. The equipment upgrades include an increase in computer memory levels, a new printer, a back-up system, and replacement of older IBM model XT's.

OFFICE OF BUDGET & PROGRAM PLANNING

Budget Modification

Modification Type	-----Executive-----		-----Legislative-----	
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) NASBO 1992 National Meeting			\$10,000	\$10,000
2) Equipment Replacement			4,000	4,000
Total	0.0	0.0	\$14,000	\$14,000

1) NASBO 1992 National Meeting - This modification provides \$10,000 general fund in the 1993 biennium for hosting the annual meeting of the National Association of State Budget Officers in Kalispell in July 1992.

2) Equipment Replacement - This modification provides \$4,000 general fund in fiscal 1992 to replace a copy machine purchased in 1984 that has experienced excessive mechanical failure.

NORTHWEST REGIONAL POWER ACT

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	6.50	6.50	6.50	.00	6.50	6.50	.00	.00
Personal Services	222,276	270,282	259,471	10,811-	269,870	259,075	10,795-	16.73%
Operating Expenses	123,299	142,041	142,653	612	142,366	142,778	412	15.70%
Equipment	3,631	1,000	1,000	0	1,000	1,000	0	-72.46%
Total Costs	\$349,206	\$413,323	\$403,124	\$10,199-	\$413,236	\$402,853	\$10,383-	15.44%
Fund Sources								
Federal Revenue Fund	349,206	413,323	403,124	10,199-	413,236	402,853	10,383-	15.44%
Total Funds	\$349,206	\$413,323	\$403,124	\$10,199-	\$413,236	\$402,853	\$10,383-	15.44%

Program Description

The Pacific Northwest Electric Power and Conservation Planning Council was created in 1981, pursuant to the Pacific Northwest Electric Power Planning and Conservation Act of 1980. The goals of the council, as outlined in the act, are to develop an electrical energy plan that will provide an efficient and adequate electric power supply for the region at the lowest possible cost, to protect and rehabilitate fish and wildlife resources in the region, and to encourage public involvement in regional decisions. The council is a regional agency made up of eight members, two each from the Pacific Northwest states of Montana, Idaho, Oregon, and Washington. These members are appointed by the Governors of the four states and approved by the respective state legislatures.

Budget

The Council's personal services budget increases due to vacancy savings in fiscal 1990 and the fiscal 1991 pay plan increase which continues into the 1993 biennium. Operating expenses are budgeted at fiscal 1991 appropriated levels with minor increases in contract services and adjustments for rent and other fixed costs. The budget includes \$1,000 per year for replacement of office equipment.

Funding

The Northwest Power Planning Council is funded by the Bonneville Power Administration, a federal agency.

LIEUTENANT GOVERNOR

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	5.00	4.00	4.00	.00	4.00	4.00	.00	-1.00
Personal Services	119,894	140,068	134,465	5,603-	139,685	134,098	5,587-	12.15%
Operating Expenses	33,861	35,376	35,653	277	35,975	35,826	149-	5.29%
Equipment	10	680	680	0	680	680	0	6700.00%
Total Costs	\$153,765	\$176,124	\$170,798	\$5,326-	\$176,340	\$170,604	\$5,736-	11.08%
Fund Sources								
General Fund	153,765	176,124	170,798	5,326-	176,340	170,604	5,736-	11.08%
Total Funds	\$153,765	\$176,124	\$170,798	\$5,326-	\$176,340	\$170,604	\$5,736-	11.08%

Program Description

The Lieutenant Governor's Office is responsible for carrying out duties prescribed in Article VI, Section 4 of the Montana Constitution. The office serves as the liaison between state and local governments. The Lieutenant Governor serves as chairperson of the Disaster Advisory Council and the Montana/Western Canadian Boundary Advisory Committee.

Budget

Personal services increase due to vacancy savings in fiscal 1990 and the fiscal 1991 pay plan increase which continues into the 1993 biennium. A 1.0 FTE for the clearinghouse function was transferred to the Office of Budget and Program Planning in fiscal 1990.

Operating expenses are continued at fiscal 1990 actual expenditure levels, with minor adjustments for increases in rent, messenger services, computer network fees, and other fixed costs.

Equipment includes \$1,060 for a small copy machine and other minor office equipment and \$300 for networking software.

CITIZEN'S ADVOCATE OFFICE

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	1.50	1.50	1.50	.00	1.50	1.50	.00	.00
Personal Services	35,554	51,843	49,769	2,074-	51,724	49,655	2,069-	39.98%
Operating Expenses	23,525	18,683	18,683	0	19,481	19,481	0	-20.58%
Total Costs	\$59,079	\$70,526	\$68,452	\$2,074-	\$71,205	\$69,136	\$2,069-	15.87%
Fund Sources								
General Fund	59,079	70,526	68,452	2,074-	71,205	69,136	2,069-	15.87%
Total Funds	\$59,079	\$70,526	\$68,452	\$2,074-	\$71,205	\$69,136	\$2,069-	15.87%

Program Description

The Citizen's Advocate Office exists to provide accessibility to state government for Montana citizens. The office provides information to citizens and acts as a referral service for public comments, suggestions, and requests for information. A toll-free number is provided to the public for this purpose.

Budget

Personal services increase due to vacancy savings in fiscal 1990 and the fiscal 1991 pay plan increase which continues in the 1993 biennium. Operating expenses decrease as they are budgeted at the fiscal 1991 appropriated level, whereas actual fiscal 1990 costs were higher. The agency obtained a supplemental in fiscal 1990 for increased costs due to a higher volume usage of the toll-free phone line, but did not request continued funding for the increased phone usage. If phone usage remains at fiscal 1990 actual levels, a supplemental will be required in the 1993 biennium to fully fund all costs of the toll-free line.

MENTAL DISABILITIES BOARD OF VISITORS

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	4.20	4.20	4.50	.30	4.20	4.50	.30	.30
Personal Services	128,132	135,750	135,697	53-	135,790	135,721	69-	5.90%
Operating Expenses	40,928	43,430	45,575	2,145	43,799	45,609	1,810	11.35%
Equipment	3,423	450	450	0	450	450	0	-86.85%
Total Costs	\$172,483	\$179,630	\$181,722	\$2,092	\$180,039	\$181,780	\$1,741	5.36%
<u>Fund Sources</u>								
General Fund	131,660	139,630	134,685	4,945-	140,039	134,743	5,296-	2.30%
Federal Revenue Fund	40,823	40,000	47,037	7,037	40,000	47,037	7,037	-5.22%
Total Funds	\$172,483	\$179,630	\$181,722	\$2,092	\$180,039	\$181,780	\$1,741	5.36%

Program Description

The Mental Disabilities Board of Visitors, established by the legislature in 1975, is charged with reviewing patient care at Montana's community mental health centers, as well as the institutions for the mentally ill and the developmentally disabled. The board also provides legal services for the residents at those institutions. The board consists of five members appointed by the Governor. They represent, but are not limited to, consumers, doctors of medicine, and behavioral scientists. The board employs administrative and legal staff and contracts with medical professionals to carry out its responsibilities for patient representation and facility review.

Budget

The Board of Visitors' personal services budget increases due to the continuation of the fiscal 1991 pay plan increase in the 1993 biennium and the addition of a 0.3 FTE legal secretary that is funded by an increase in the federal grant. Operating expenses increase due to additional expenses related to the additional staff and for minor increases in rent, network fees, and other fixed costs. Equipment requested in the 1993 biennium include \$300 for a chair and bookcase and \$600 for computer software updates.

Funding

The program is funded with general fund and a federal grant to provide legal protection and advocacy for patients in Montana's institutions for the mentally ill and developmentally disabled. The federal grant increased \$8,500 per year to fund the increase in staff and related expenses.

SECRETARY OF STATE'S OFFICE

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
FTE	26.00	26.00	35.25	9.25	26.00	35.25	9.25	9.25
Personal Services	557,790	630,144	811,205	181,061	629,099	811,005	181,906	45.43%
Operating Expenses	433,681	470,046	658,257	188,211	519,976	633,996	114,020	51.78%
Equipment	19,580	10,585	65,585	55,000	12,515	19,153	6,638	234.96%
Debt Service	13,179	0	0	0	0	0	0	-100.00%
Total Costs	\$1,024,230	\$1,110,775	\$1,535,047	\$424,272	\$1,161,590	\$1,464,154	\$302,564	49.87%
<u>Fund Sources</u>								
General Fund	882,165	933,490	1,027,283	93,793	983,254	956,000	27,254-	16.45%
State Revenue Fund	142,065	177,285	176,432	853-	178,336	175,298	3,038-	24.19%
Proprietary Fund	0	0	331,332	331,332	0	332,856	332,856	.00%
Total Funds	\$1,024,230	\$1,110,775	\$1,535,047	\$424,272	\$1,161,590	\$1,464,154	\$302,564	49.87%

Agency Description

The Office of the Secretary of State is established by Article VI, Section 1 of the Montana Constitution and its duties are set forth in Section 2-15-401, MCA. The office reviews, maintains, and distributes records of business and non-profit organizations; files and maintains records of secured financial transactions; and maintains the official records of the executive branch and the acts of the legislature. As the chief election officer of the state, the Secretary of State is responsible for the application, operation, and interpretation of election laws except those pertaining to campaign finance. The office publishes the Administrative Rules of Montana and the Montana Administrative Register.

The 1991 legislature transferred State Agency Records Management to the Office of the Secretary of State from the Department of Administration. The office administers state agency records management functions including: establishing guidelines for inventorying, cataloging, retaining and transferring all public records of state agencies; establishing and operating the state records center for the purpose of storing and servicing public records not retained in office space; and operating a central microfilm unit on a cost recovery basis (section 2-6-203, MCA).

Language

"If House Bill 897 is not enacted, the appropriation [for State Agency Records Management program] is transferred to the Department of Administration." The bill was signed into law.

SECRETARY OF STATE'S OFFICE

Budget

The legislature implemented a 0.5 percent reduction in the total agency general fund budget for each year of the biennium. Since agencies will be allowed to allocate this budget reduction among programs, it is reflected in the agency table but is not reflected in the program tables and narratives.

The legislature implemented a 4 percent across-the-board reduction in funding for total agency personal services in agencies with more than 20.0 FTE in fiscal 1992 and 1993. However, the vacancy savings rate was reduced to 2 percent of personal services costs in the Secretary of State's Office.

The fiscal 1992 and 1993 pay plan increase (House Bill 509) is not included in the agency table or in the program tables. Volume I of this report has a "Pay Plan" section with a description of the pay plan increase and a table showing allocations to each agency. House Bill 509 does not include an appropriation for market-based pay adjustments for exempt positions in the Secretary of State's Office.

FTE increase by 9.25 due to the transfer of the State Agency Records Management program from the Department of Administration to the Office of the Secretary of State.

Personal services increase 45.4 percent due to: 1) the budget modification transferring State Agency Record Management and 9.25 FTE, which adds \$198,508 in fiscal 1992 and \$199,237 in fiscal 1993; 2) vacancy savings in fiscal 1990; and 3) continuation of the fiscal 1991 pay plan.

The operating budget increases 51.8 percent due to: 1) three budget modifications which add about \$148,000 each year; 2) an increase in printing, publication, and postage expenses of \$23,347 in fiscal 1992 and \$62,231 in fiscal 1993; 3) the legislative audit in fiscal 1992 of \$15,784; and 4) other fixed cost and inflationary adjustments. Operating cost increases are partially offset by mainframe computer processing rate reductions totalling about \$25,000 in fiscal 1992 and \$35,000 in fiscal 1993.

Equipment includes a budget modification to purchase fireproof storage cabinets for corporate documents (\$45,000 general fund in 1992) and to replace personal computers and monitors, file cabinets, desks, typewriters, and microfilming equipment as determined by the agency.

Debt service is not budgeted in the 1993 biennium as the personal computer system expected to take the place of the Uniform Commercial Code (UCC) mainframe system has been discontinued due to performance failure. Since the personal computer system was to be funded by savings in mainframe processing costs, the amount allocated for debt service has been shifted to operating costs to fund the mainframe system costs.

Senate Bill 423 authorizes the Secretary of State to sell copies of the corporate information list maintained on the office computer system. The fiscal note prepared for the bill estimated that the sale of such information would generate general fund revenue of \$15,000 in fiscal 1992 and \$20,000 in fiscal 1993.

BUSINESS & GOVERNMENT SERVICES

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	22.50	22.50	22.50	.00	22.50	22.50	.00	.00
Personal Services	489,432	533,016	522,357	10,659-	532,117	521,477	10,640-	6.73%
Operating Expenses	362,915	391,374	455,671	64,297	440,214	431,713	8,501-	25.56%
Equipment	18,616	9,100	54,100	45,000	10,923	7,561	3,362-	190.61%
Debt Service	11,202	0	0	0	0	0	0	-100.00%
Total Costs	\$882,165	\$933,490	\$1,032,128	\$98,638	\$983,254	\$960,751	\$22,503-	17.00%
<u>Fund Sources</u>								
General Fund	882,165	933,490	1,032,128	98,638	983,254	960,751	22,503-	17.00%
Total Funds	\$882,165	\$933,490	\$1,032,128	\$98,638	\$983,254	\$960,751	\$22,503-	17.00%

Program Description

The Business and Government Services program is the custodian of all official acts of the executive and legislative branches of Montana state government. In addition, the program, responsible for insuring uniform application of election laws, assists local officials in the operation of all elections; publishes and maintains official canvass results; and publishes and disseminates voter information. The program also administers the Agricultural Lien Program, a centralized filing and access system for security interests covering agricultural products and property.

Legislative Intent

It is the intent of the legislature that \$19,924 in fiscal 1992 and \$58,962 in fiscal 1993 of the appropriation for this program be used for printing, publication, and postage expenses only.

Budget

Personal services increases 6.7 percent due to: 1) vacancy savings in fiscal 1990; and 2) continuation of the fiscal 1991 pay plan in the 1993 biennium.

Operating costs increase 25.6 percent due to: 1) budget modifications which add \$77,500 in fiscal 1992 and \$25,000 in fiscal 1993; 2) additional printing, publication, and postage expenses of \$19,924 in fiscal 1992 and \$58,962 in fiscal 1993 (an election year);

BUSINESS & GOVERNMENT SERVICES

3) inclusion of the legislative audit in fiscal 1992 at \$13,416; and 4) other fixed cost and inflationary adjustments. These operating cost increases are partially offset by rate reductions in mainframe computer processing costs of about \$25,000 in fiscal 1992 and about \$35,000 in fiscal 1993.

Equipment includes two replacement personal computers and monitors, a typewriter, a desk, and filing cabinets each year of the biennium. A laser printer is included in fiscal 1992. A budget modification for fireproof storage adds \$45,000 general fund in fiscal 1992.

The current level budget for the 1993 biennium does not include debt service as the UCC personal computer system scheduled for installation during the 1991 biennium was abandoned due to nonperformance and the lease-purchase contract for the computer equipment terminals was terminated.

Budget Modifications

Modification Type	Executive			Legislature		
	FTE FY92	FTE FY93	Total 92-93	FTE FY92	FTE FY93	Total 92-93
1) Microfilm Project						
2) Fireproof Document Storage						
3) SB 364 - Primary Election for 2-Mill Levy						
Total	0.0	0.0	\$0	0.0	0.0	\$147,500

1) Microfilm Project - The legislature appropriated \$25,000 general fund each year to begin microfilming corporate documents. The Secretary of State is required to maintain two copies of all records or papers that must be deposited in his office by statute. One copy must be placed in a fireproof storage area and a second copy must be retained to prepare copies of such records (Section 2-6-111, MCA). The legislature funded a lower level of activity, one that if continued by subsequent legislatures would allow duplication of all corporate records in 7 to 8 years. The agency requested \$360,438 of general fund for the biennium to hire 3.0 FTE and purchase microfilming equipment to complete the project within three years.

2) Fireproof Document Storage - The legislature appropriated \$45,000 general fund in fiscal 1992 to purchase fireproof cabinets for document storage. Currently the office maintains only one copy of many records, including corporate documents that are stored in

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open shelving stacked 14 feet high. This appropriation allows the Secretary of State to comply with the statutory requirements noted in budget modification #1.

3) SB 364 - Primary Election for 2-Mill Levy - This budget modification funds the cost of printing voter information pamphlets and publishing voter information in newspapers for the statewide election to authorize a statewide 2-mill property tax to fund vocational-technical education centers as required by Senate Bill 364. A general fund appropriation of \$52,500 is made in fiscal 1993.

Funding

This program is supported by general fund. However, the agency charges fees for services provided by this program which are deposited to the general fund. Fee collections totalled \$1,097,927 in fiscal 1990. Based on the agency estimate of fiscal 1991 income, the agency will collect at least \$251,000 more than it expends in this program during the 1991 biennium.

ADMINISTRATIVE CODE PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	3.50	3.50	3.50	.00	3.50	3.50	.00	.00
Personal Services	68,358	97,128	95,185	1,943-	96,982	95,042	1,940-	39.24%
Operating Expenses	70,766	78,672	79,762	1,090	79,762	78,664	1,098-	12.71%
Equipment	964	1,485	1,485	0	1,592	1,592	0	54.05%
Debt Service	1,977	0	0	0	0	0	0	-100.00%
Total Costs	\$142,065	\$177,285	\$176,432	\$853-	\$178,336	\$175,298	\$3,038-	24.19%
Fund Sources								
State Revenue Fund	142,065	177,285	176,432	853-	178,336	175,298	3,038-	24.19%
Total Funds	\$142,065	\$177,285	\$176,432	\$853-	\$178,336	\$175,298	\$3,038-	24.19%

Program Description

The Administrative Code program executes the duties required under the Montana Administrative Procedures Act (Title 2, Chapter 4, MCA). These duties include filing, indexing, organizing for publication, and distributing the administrative rules adopted by state agencies in the Administrative Rules of Montana and the Montana Administrative Register.

Budget

Personal services increase 39.2 percent due to: 1) a reorganization which reallocated 0.5 FTE between the Business and Government Services, and Administrative Code programs (the positions transferred to the Administrative Code Program receive about \$3,800 more annually than the FTE transferred out of the program); 2) vacancy savings in fiscal 1990; and 3) continuation of the fiscal 1991 pay plan in the 1993 biennium.

The operating budget increases 12.7 percent due to: 1) an increase in printing costs of \$3,243 in fiscal 1992 and \$3,269 in fiscal 1993; 2) the legislative audit in fiscal 1992 of \$2,368; and 3) other fixed cost and inflationary adjustments, especially in postage which adds about \$1,800 each year.

Equipment includes part of the cost to replace two personal computers and monitors, file cabinets, and typewriters.

Debt service costs are not budgeted for the 1993 biennium as development of the UOC computer system was discontinued.

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ADMINISTRATIVE CODE PROGRAM

Funding

The program is funded by revenues from the publication of rules and subscriptions to the ARM.

STATE AGENCY RECORDS MANAGEMENT

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	.00	.00	9.25	9.25	.00	9.25	9.25	9.25
Personal Services	0	0	198,508	198,508	0	199,237	199,237	.00%
Operating Expenses	0	0	122,824	122,824	0	123,619	123,619	.00%
Equipment	0	0	10,000	10,000	0	10,000	10,000	.00%
Total Costs	\$0	\$0	\$331,332	\$331,332	\$0	\$332,856	\$332,856	.00%
<u>Fund Sources</u>								
Proprietary Fund	0	0	331,332	331,332	0	332,856	332,856	.00%
Total Funds	\$0	\$0	\$331,332	\$331,332	\$0	\$332,856	\$332,856	.00%

Program Description

The State Agency Records Management Program was moved from the Department of Administration to the Secretary of State's Office by the 1991 legislature. The program administers state agency records management functions including: establishing guidelines for inventorying, cataloging, retaining and transferring all public records of state agencies; establishing and operating the state records center for the purpose of storing and servicing public records not retained in office space; and operating a central microfilm unit on a cost recovery basis (section 2-6-203, MCA).

Language

"If House Bill 897 is not enacted, the appropriation [for State Agency Records Management program] is transferred to the Department of Administration." House Bill 897 was signed into law. The legislature transferred state agency records management functions (with the exception of the computer output microfilm function and development of standards for computer-related records systems) from the Department of Administration to the Secretary of State's Office, contingent upon passage and approval of House Bill 897.

Budget

The legislature added 1.0 FTE, at grade 6 step 12, with the intent that the position not be included in the 1995 biennium budget request if the individual occupying that position retires or takes another position in the agency.

STATE AGENCY RECORDS MANAGEMENT

The budget adopted by the legislature is 30.3 percent higher than actual fiscal 1990 expenditures (see the following table). The legislature budgeted for the number of staff employed in the Records Management Program in the Department of Administration and at the grade and step those FTE were being paid in February 1991.

Personal services increase 27.3 percent due to: 1) an additional FTE added by the legislature; 2) vacancy savings in fiscal 1990; and 3) continuation of the fiscal 1991 pay plan in the 1993 biennium.

State Agency Records Management
Fiscal 1990 Actual Expenditures Compared to 1993 Biennium Appropriation

<u>Item</u>	<u>Fiscal 1990 Actual</u>	<u>-----Budgeted----- Fiscal 1992</u>	<u>Fiscal 1993</u>	<u>Change 1990 to 1992</u>
FTE	8.25	9.25	9.25	1.00
Personal Services	\$155,901	\$198,508	\$199,237	27.33%
Operating Costs	89,430	122,824	123,619	37.34%
Equipment	<u>9,029</u>	<u>10,000</u>	<u>10,000</u>	<u>10.75%</u>
Total Proprietary Funds	\$254,360	\$331,332	\$332,856	30.26%

Operating costs increase 37.3 percent due to: 1) an increase in supplies and other costs of \$25,000 each year for the microfilming project authorized in the Records Management Program, which must purchase services from the State Agency Records Management Program; and 2) fixed cost and inflationary adjustments.

Equipment includes funds for replacement or acquisition of office equipment as necessary.

Funding

The program is funded through payments from other programs and state agencies for microfilming services and records storage.

COMMISSIONER OF POLITICAL PRACTICES

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
FTE	3.00	3.00	3.50	.50	3.00	3.00	.00	.50
Personal Services	81,049	86,586	96,365	9,779	85,792	85,201	591-	18.90%
Operating Expenses	23,378	25,451	71,731	46,280	27,496	26,212	1,284-	206.83%
Equipment	1,687	1,608	1,608	0	2,108	2,108	0	-4.68%
Total Costs	\$106,114	\$113,645	\$169,704	\$56,059	\$115,396	\$113,521	\$1,875-	59.93%
<u>Fund Sources</u>								
General Fund	106,114	113,645	169,704	56,059	115,396	113,521	1,875-	59.93%
Total Funds	\$106,114	\$113,645	\$169,704	\$56,059	\$115,396	\$113,521	\$1,875-	59.93%

Agency Description

The Office of the Commissioner of Political Practices was created in 1975 to monitor disclosures of financial contributions to and expenditures made by Montana political committees and candidates and to oversee and enforce the campaign practices law in Title 13, Chapters 35 through 37, MCA. The responsibilities of the office were expanded in 1980 by Initiative 85 to include the registration of lobbyists, the filing of their principals' financial reports, and the disclosure of elected officials' business and ownership interests.

Language

Language is included in House Bill 2 to require recovery of costs of the election booklet published by the agency, as follows:

"The Commissioner of Political Practices is to charge a fee for the Campaign Finance Report book that is sufficient to recover the costs of printing and distribution of the book. Public libraries are exempt from the charge for the book. The proceeds from the sale of the book, as well as the fees collected for reimbursement of copier charges, must be deposited in the general fund."

Budget

The budget increases primarily due to two budget modifications and the addition of a 0.25 FTE, which is included as a \$10,406 biennial appropriation in fiscal 1990 and is shown as a 0.5 FTE for the biennium. The position is to be used for part-time assistance in peak work periods throughout the biennium. Personal services also increase due to the inclusion of Budget Modification #1 discussed below.

COMMISSIONER OF POLITICAL PRACTICES

Operating expenses increase due to Budget Modification #2 and due to budgeting the agency at fiscal 1991 appropriated levels, as compared to lower fiscal 1990 actual expenses.

Equipment costs include lease-purchase payments of \$1,608 per year for a copy machine purchased in fiscal 1991 and \$500 in fiscal 1993 for new computer software.

The legislature implemented a 0.5 percent reduction in the agency's total general fund budget for both years of the biennium: \$627 in fiscal 1992 and \$591 in fiscal 1993.

The pay plan increase for fiscal 1992 and fiscal 1993 (House Bill 509) is not included in the table above. In Volume I of this report in the "Pay Plan" section is a description of the pay plan increase and a table showing allocations to each agency.

Budget Modifications

<u>Modification Type</u>	<u>-----Executive-----</u>			<u>-----Legislative-----</u>		
	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u> <u>Total</u> <u>92-93</u>
1) Staff Termination Pay			\$1,700			\$1,700
2) Legal Fees and Court Costs	—	—	—	—	—	45,000
Total	0.0	0.0	\$1,700	0.0	0.0	\$46,700

1) Termination Pay - This modification is for \$1,700 termination pay, including accrued vacation and sick leave pay, in anticipation of the turnover of two personnel in the 1993 biennium.

2) Legal Fees and Court Costs - This modification adds \$45,000 general fund as a biennial appropriation for legal costs related to a current campaign practices investigation case.

Funding

The Commissioner of Political Practices program is funded entirely by general fund.

STATE AUDITOR'S OFFICE

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	66.00	69.00	70.00	1.00	69.00	70.00	1.00	4.00
Personal Services	1,531,601	1,888,546	1,812,785	75,761-	1,886,967	1,812,400	74,567-	18.36%
Operating Expenses	879,291	991,932	1,055,465	63,533	964,058	942,073	21,985-	20.04%
Equipment	941	72,723	86,170	13,447	22,170	23,965	1,795	9057.28%
Total Costs	\$2,411,833	\$2,953,201	\$2,954,420	\$1,219	\$2,873,195	\$2,778,438	\$94,757-	22.50%
Fund Sources								
General Fund	2,025,629	2,506,710	2,303,414	203,296-	2,425,553	2,141,084	284,469-	13.71%
State Revenue Fund	386,204	360,348	501,444	141,096	360,355	500,766	140,411	29.84%
Proprietary Fund	0	86,143	149,562	63,419	87,287	136,588	49,301	.00%
Total Funds	\$2,411,833	\$2,953,201	\$2,954,420	\$1,219	\$2,873,195	\$2,778,438	\$94,757-	22.50%

Agency Description

The Office of the State Auditor, established by Article VI, Section 1 of the Montana Constitution, has statutory responsibility to superintend the fiscal duties of the state and to keep an account of all state warrants. The auditor is both ex-officio commissioner of insurance and ex-officio commissioner of securities. The auditor is charged with the duty of licensing and regulating insurance companies and agents within the state, and with regulating and registering securities dealers. The auditor is director of the state employee payroll system and administers the bad debt collection function for state funds.

Budget

The agency's budget increases 22.5 percent from fiscal 1990 to 1992. The primary reasons for the increase are budget modifications, personal services increases, and warrant writing system cost increases, as discussed below.

The legislature implemented a 0.5 percent (\$22,538) reduction in the agency's total general fund budget for both years of the biennium. Since the agency will be allowed to allocate this budget reduction among programs, it is reflected in the agency table above but is not reflected in the program tables and narratives.

The budget includes four budget modifications at a biennial cost of \$217,873 general fund, as shown in the table below. The modifications include \$150,000 for a computer system replacement, \$56,658 for 1.0 additional FTE, and \$11,215 for office equipment.

STATE AUDITOR'S OFFICE

Funding

Over 60 percent of the costs of the State Payroll Division are funded by a state special revenue fund generated by service charges against non-general fund programs for the central payroll function. The Fiscal Management and Control Division receives 20 percent of its funding in fiscal 1992 from a state special revenue account which receives fees from three of the major warrant processing user agencies. The appropriation is an estimation of the cost of processing warrants for those agencies. An additional 20 percent of the Fiscal Management and Control Division funding is from the proprietary fund for the operation of the Bad Debts Collection System.

The balance of the State Auditor's Office is funded by general fund. The Insurance and Securities Divisions were funded by state special revenue in the 1989 biennium, but those accounts were de-earmarked by Senate Bill 78 in the 1989 session.

CENTRAL MANAGEMENT

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	8.00	9.00	8.00	1.00-	9.00	8.00	1.00-	.00
Personal Services	206,888	254,057	212,568	41,489-	254,035	212,619	41,416-	2.75%
Operating Expenses	18,890	72,288	57,223	15,065-	59,925	54,884	5,041-	202.93%
Equipment	102	70,523	70,250	273-	21,670	21,670	0	8772.55%
Total Costs	\$225,880	\$396,868	\$340,041	\$56,827-	\$335,630	\$289,173	\$46,457-	50.54%
Fund Sources								
General Fund	225,880	396,868	340,041	56,827-	335,630	289,173	46,457-	50.54%
Total Funds	\$225,880	\$396,868	\$340,041	\$56,827-	\$335,630	\$289,173	\$46,457-	50.54%

Program Description

The Central Administration Division is responsible for the administrative, budgeting, personnel, and accounting functions for the State Auditor's Office.

Language

"The appropriation [of \$150,000] is for a computer system. The agency shall follow the system design recommendations approved by the Information Services Division of the Department of Administration."

Legislative Intent

The language quoted above was included as part of a line-itemed budget modification for \$150,000 general fund for new computer equipment and installation costs. The language was inserted to require the use of Information Services Division for system design and for approval of the final specific design system by Information Services Division before purchase and installation.

Budget

The division's budget increases 50.5 percent from fiscal 1990 to 1992 primarily due to the budget modification at a cost of \$150,000 general fund discussed below.

CENTRAL MANAGEMENT

Personal services increase due to continuation of the fiscal 1991 pay plan increase in the 1993 biennium and additional pay raises of \$6,600 for the State Auditor's personal staff continuing into the 1993 biennium.

Operating expenses are higher due to the budget modification and increases in fixed costs, including audit fees and office rent. Operating expenses are higher in fiscal 1992 than fiscal 1993 due to the biennial audit allocation and computer replacement costs.

The equipment budget is for computer equipment purchases in the budget modification.

Budget Modification

<u>Modification Type</u>	<u>-----Executive-----</u>			<u>-----Legislature-----</u>				
	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>	<u>Total</u> <u>92-93</u>	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>	<u>Total</u> <u>92-93</u>
1) Computer System Replacement	0.0	0.0	\$150,000	\$150,000	0.0	0.0	\$150,000	\$150,000

1) Computer System Replacement - This modification funds \$150,000 general fund for the final phase of replacing the current agency computer system. The original Wang system reached capacity in two years and is not compatible with other state agency systems. Together with \$40,000 appropriated in the 1991 biennium, the total cost of the system replacement will be \$190,000.

STATE PAYROLL

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	9.50	9.00	9.00	.00	9.00	9.00	.00	-.50
Personal Services	234,667	244,515	234,734	9,781-	244,296	234,524	9,772-	.03%
Operating Expenses	363,372	335,559	352,535	16,976	320,763	304,100	16,663-	-2.98%
Equipment	440	0	0	0	0	0	0	-100.00%
Total Costs	\$598,479	\$580,074	\$587,269	\$7,195	\$565,059	\$538,624	\$26,435-	-1.87%
Fund Sources								
General Fund	212,275	219,726	232,824	13,098	204,704	184,690	20,014-	9.68%
State Revenue Fund	386,204	360,348	354,445	5,903-	360,355	353,934	6,421-	-8.22%
Total Funds	\$598,479	\$580,074	\$587,269	\$7,195	\$565,059	\$538,624	\$26,435-	-1.87%

Program Description

The State Payroll Division is responsible for preparing the state payroll for state agencies on a biweekly basis. In addition, the division is responsible for maintaining the data base for the state Payroll/Personnel/Position Control (P/P/P) System, which is an integrated data base system incorporating all the requirements and data elements of three systems: payroll, personnel, and position control. The State Payroll Division was a part of the Audit Division until reorganized as a separate division in fiscal 1990.

Budget

The State Payroll Division's 1993 biennium budget continues at the current level, with increases for audit fees and other items offset by economies achieved by the conversion to the P/P/P on-line system and a reduction in computer processing rates charged by the Department of Administration.

Personal services increase due to the continuation of the fiscal 1991 pay plan increase into the 1993 biennium and pay raises to the State Auditor's personal staff of \$5,700 above the pay plan authorization. These increases are offset by the 4 percent personal services reduction discussed in the agency narrative and by the elimination of a 0.5 FTE payroll clerk as a result of the P/P/P on-line conversion. When the agency requested funding for this conversion, it estimated that up to 1.75 FTE would be eliminated upon its completion. Although this saving has not yet been realized, the agency reported to the 1991 legislature that when P/P/P on-line is fully implemented, even more FTE than originally estimated will be eliminated.

STATE PAYROLL

Operating expenses decrease due to: 1) a reduction in rent and other fixed cost allocations; and 2) an anticipated decrease in the Department of Administration computer processing and information services charges. An offsetting increase in the fiscal 1992 appropriation is the inclusion of a biennial appropriation of \$33,461 for audit fees. The appropriation for data processing costs for the state payroll system are line-itemed in House Bill 2.

Funding

State special revenue funds are derived from payroll service fees charged to agency non-general fund operations. There is a direct appropriation from the general fund for payroll services to general funded employees. State special revenue decreases due to economies attained by conversion to P/P/P on-line and a reduction in the percentage of non-general fund payroll employees.

INSURANCE

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
FTE	30.00	31.00	31.00	.00	31.00	31.00	.00	1.00
Personal Services	655,736	880,718	845,489	35,229-	879,683	844,495	35,188-	28.94%
Operating Expenses	148,514	150,653	150,240	413-	151,562	145,660	5,902-	1.16%
Equipment	0	2,200	7,620	5,420	500	1,995	1,495	.00%
Total Costs	\$804,250	\$1,033,571	\$1,003,349	\$30,222-	\$1,031,745	\$992,150	\$39,595-	24.76%
<u>Fund Sources</u>								
General Fund	804,250	1,033,571	1,003,349	30,222-	1,031,745	992,150	39,595-	24.76%
Total Funds	\$804,250	\$1,033,571	\$1,003,349	\$30,222-	\$1,031,745	\$992,150	\$39,595-	24.76%

Program Description

The Insurance Division regulates the insurance industry in Montana for the protection of Montana consumers. The division is comprised of four bureaus: Policyholder Service, Company Exam/Licensing, Agent Licensing, and Investigations. The Policyholder Service Bureau is responsible for resolving insurance consumer inquiries and complaints involving agents, coverage, and companies. The Company Exam/Licensing Bureau is responsible for the review of the financial condition, market conduct examination, premium tax collection, and licensing of all insurance companies doing business in Montana. They are also responsible for filing all rates and forms used by insurance companies in Montana. The Agent Licensing Bureau handles the testing and licensing of all agents and solicitors seeking to conduct the business of insurance in Montana. The Investigations Bureau investigates insurance code and rule violations.

Budget

The Insurance program budget increases 24.8 percent from fiscal 1990 to 1992 due to a substantial increase in personal services and the two budget modifications discussed below.

Personal services increase nearly \$200,000 over fiscal 1990 levels due to vacancy savings in fiscal 1990, the fiscal 1991 pay plan increase that continues in the 1993 biennium, pay raises to the State Auditor's personal staff of \$10,900 above the 1991 biennium pay plan allocation, and the addition of 1.0 FTE in Budget Modification #1. For most of the 1991 biennium, 3.0 new positions approved by the 1989 legislature to expand regulation of the insurance industry were vacant. The legislature approved the continuation of these positions for the 1993 biennium.

INSURANCE

Operating expenses increase slightly due to additional costs added in Budget Modification #1 and biennial audit fees in fiscal 1992 only.

The equipment budget is for additional equipment for the new position added in the Budget Modification #1 and for office equipment included in Budget Modification #2.

Budget Modifications

<u>Modification Type</u>	<u>-----Executive-----</u>				<u>-----Legislative-----</u>			
	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>	<u>Total</u> <u>92-93</u>	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>	<u>Total</u> <u>92-93</u>
1) Medicare Compliance Specialist	1.0	1.0	\$58,582	\$58,582	1.0	1.0	\$56,658	\$56,658
2) Office Equipment - Insurance	---	---	---	---	---	---	<u>\$6,915</u>	<u>\$6,915</u>
Total	1.0	1.0	\$58,582	\$58,582	1.0	1.0	\$63,573	\$63,573

1) Medicare Compliance Specialist - This modification funds an additional position for a medicare compliance specialist. The 1989 legislature authorized this position as a one-time expense in the 1991 biennium to implement revisions to medicare supplemental insurance regulations. The position will be made permanent to administer new requirements and regulations required by federal laws on medicare supplemental insurance. In addition to salary and benefits, this request includes \$7,793 for the biennium for operating expenses and \$2,700 for equipment.

2) Office Equipment - This modification will fund the replacement of 22 desk chairs, visitor chairs, and new carpet.

Funding

This program was funded in the 1989 biennium by a state special revenue account which received fee and license revenues from regulated insurance companies. The account was de-earmarked by the 1989 legislature in Senate Bill 78, and all appropriation authorities and revenues were transferred to the general fund.

SECURITIES

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	9.00	9.00	9.00	.00	9.00	9.00	.00	.00
Personal Services	233,621	256,422	246,165	10,257-	256,308	246,056	10,252-	5.37%
Operating Expenses	42,291	48,781	47,386	1,395-	49,026	42,260	6,766-	12.05%
Equipment	273	0	4,300	4,300	0	0	0	1475.09%
Total Costs	\$276,185	\$305,203	\$297,851	\$7,352-	\$305,334	\$288,316	\$17,018-	7.84%
<u>Fund Sources</u>								
General Fund	276,185	305,203	297,851	7,352-	305,334	288,316	17,018-	7.84%
Total Funds	\$276,185	\$305,203	\$297,851	\$7,352-	\$305,334	\$288,316	\$17,018-	7.84%

Program Description

The Securities Department is responsible for the administration and enforcement of the Securities Act of Montana as provided in Title 30, Chapter 10, MCA. The department is responsible for the registration of securities issuers, salesmen, broker-dealers, investment advisers, investment adviser representatives, and investigation of unregistered and fraudulent securities transactions.

Budget

Personal services increase due to vacancy savings experienced in fiscal 1991, the fiscal 1991 pay plan increase continued into the 1993 biennium, and additional pay raises to the State Auditor's personal staff of \$5,400 above the 1991 biennium pay plan allocation. Operating expenses increase due to higher fixed costs, including office rent and audit fee allocations. The fiscal 1992 appropriation includes a \$5,050 biennial audit appropriation. The equipment budget is for the equipment described in the budget modification below.

SECURITIES

Budget Modification

<u>Modification Type</u>	-----Executive-----			-----Legislature-----		
	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>Total</u> <u>92-93</u>	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>Total</u> <u>92-93</u>
1) Office Equipment - Securities	0.0	0.0	\$0	0.0	0.0	\$4,300
			\$0			\$4,300

1) Securities Division Equipment - This modification will fund the following equipment: 1) portable personal copier, \$1,000; 2) camera, \$300; 3) document shredder, \$1,800; and 4) filing cabinets, \$1,200. The equipment will be used for securities investigations and examinations.

Funding

This program was funded in the 1989 biennium by a state special revenue account which received fees from regulated securities companies. The account was de-earmarked by the 1989 legislature in Senate Bill 78, and all appropriation authorities and revenues were transferred to the general fund.

FISCAL CONTROL AND MANAGEMENT

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	9.50	11.00	13.00	2.00	11.00	13.00	2.00	3.50
Personal Services	200,689	252,834	285,608	32,774	252,645	285,465	32,820	42.31%
Operating Expenses	306,224	384,651	448,081	63,430	382,782	395,169	12,387	46.32%
Equipment	126	0	4,000	4,000	0	300	300	3074.60%
Total Costs	\$507,039	\$637,485	\$737,689	\$100,204	\$635,427	\$680,934	\$45,507	45.49%
<u>Fund Sources</u>								
General Fund	507,039	551,342	441,128	110,214-	548,140	397,514	150,626-	-13.00%
State Revenue Fund	0	0	146,999	146,999	0	146,832	146,832	.00%
Proprietary Fund	0	86,143	149,562	63,419	87,287	136,588	49,301	.00%
Total Funds	\$507,039	\$637,485	\$737,689	\$100,204	\$635,427	\$680,934	\$45,507	45.49%

Program Description

The Fiscal Control and Management Division is responsible for the issuance, control, and recording of claims and warrant payments for the State of Montana. In addition, the division is responsible for collecting and recording bad debts for the state. The bad debts function was transferred from the Department of Revenue in fiscal 1990. The Fiscal Control and Management Division was a part of the Audit Division until reorganization as a separate division in fiscal 1990.

Language

The following language requires the State Auditor to develop a cost recovery plan for the cost of warrants processed for non-general fund activities but currently paid by general fund:

"The State Auditor shall implement a fee system for the purpose of recovering the operational cost of issuing warrants from all user agencies on an equitable basis. It is intended that, beginning in fiscal 1994, the general fund must be reimbursed for services provided to user agencies that are not funded entirely by the general fund. Revenues collected as reimbursement fees from user agencies for costs of issuing state warrants must be deposited in a state special revenue account. The State Auditor shall submit the cost recovery plan and the 1995 biennium fee schedule by agency to the Office of Budget and Program Planning and to the Legislative Fiscal Analyst by June 1, 1992."

FISCAL CONTROL AND MANAGEMENT

Budget

The Fiscal Management and Control Division budget increases 45.5 percent, primarily due to higher personal services costs, increased volume and costs of processing state warrants through the automated warrant writing system, higher postal volumes and rates, and expansion of the bad debts collection function. The bad debts collection function was shifted from general fund to a proprietary fund operation, increasing from 3.0 to 5.0 FTE, and a 70 percent (\$122,810) increase in the cost of the program.

Personal services increase from fiscal 1990 to the 1993 biennium due to the addition of 1.5 FTE in fiscal 1991 and 2.0 additional FTE in fiscal 1992 in the Bad Debts Collection section, vacancy savings in fiscal 1990, the fiscal 1991 pay plan increase continuing into the 1993 biennium, and additional pay raises granted to the State Auditor's personal staff that were \$3,200 higher than the 1991 biennium pay plan allocation.

Significantly increased direct costs of processing warrants through the state warrant writing system (including postage costs) account for the majority of the increase in operating costs. The primary reason for the sharply increased cost was the addition of new users (most notably the State Compensation Mutual Insurance Fund compensation warrants) to the state warrant writing system after the legislature had established the 1991 biennium budget. No provision was made to recover the additional costs. Other reasons for warrant writing cost increases include: 1) the installation of a new automated warrant system in July 1989 with higher than estimated operating costs; 2) an increase in the volume of warrants processed for existing customers; and 3) an increase in postage rates. Costs for computer service charges and postage volume will exceed appropriated levels by over \$172,000 during the 1991 biennium. The shortfall will be funded by a supplemental appropriation. Current level warrant system processing costs and postage volume are based on fiscal 1990 actual levels, including the supplemental. Warrant writing system data processing costs are line-itemed in House Bill 2.

Other operating expense increases over fiscal 1990 include a 150 percent increase in operating costs for the bad debts collection function, a biennial audit fee allocation in fiscal 1992 (\$33,467), and printing costs for warrants. These increases are partially offset by decreases in computer service rates charged by the Department of Administration.

The equipment budget includes \$4,300 for additional office equipment related to expansion of the bad debts collection function.

Funding

This program was funded entirely by general fund in the 1991 biennium. As discussed under "Language" above, the legislature requires the State Auditor to establish a cost recovery plan for the 1995 biennium to recover costs from non-general fund activities in a state special revenue account. In the interim, the legislature assessed warrant processing fees on three of the largest non-general fund accounts to provide a partial recovery of warrant processing costs based on the number of warrants multiplied by the estimated processing cost per warrant. The fees, which are to be deposited in a state special revenue account, are assessed to the State Compensation Mutual Insurance Fund (\$239,576), the Department of Fish, Wildlife, and Parks (General License account, \$41,625), and

FISCAL CONTROL AND MANAGEMENT

the Department of Highways (Highways Special Revenue account, \$16,193). The balance of the warrant writing function, is supported by general fund.

The Bad Debts Collection System was converted to a proprietary fund, with revenues to come from retention of a percentage of the bad debt collections on behalf of state agencies. House Bill 38 was signed by the Governor, which provides statutory authority to retain a portion of the collections. The legislature adopted a proprietary fund operation, with a \$173,430 reduction in general fund in House Bill 2. In addition, 2.0 FTE and an additional \$122,810 in proprietary funds were added to expand the program and increase the collection effort, reduced by \$10,090 for the 4 percent personal services reduction discussed in the agency narrative.

CRIME CONTROL DIVISION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	16.00	18.00	18.00	.00	18.00	18.00	.00	2.00
Personal Services	449,102	536,119	534,007	2,112-	535,618	533,096	2,522-	18.91%
Operating Expenses	155,583	217,065	225,219	8,154	223,157	219,104	4,053-	44.76%
Equipment	3,659	14,297	14,297	0	6,085	6,085	0	290.74%
Grants	1,580,795	3,260,718	3,255,918	4,800-	3,287,718	3,282,918	4,800-	105.97%
Benefits and Claims	343,390	375,000	451,143	76,143	375,000	451,143	76,143	31.38%
Total Costs	\$2,532,529	\$4,403,199	\$4,480,584	\$77,385	\$4,427,578	\$4,492,346	\$64,768	76.92%
Fund Sources								
General Fund	409,615	483,360	486,644	3,284	510,876	502,036	8,840-	18.81%
State Revenue Fund	281,504	462,901	556,939	94,038	459,764	553,308	93,544	97.84%
Federal Revenue Fund	1,841,410	3,456,938	3,437,001	19,937-	3,456,938	3,437,002	19,936-	86.65%
Total Funds	\$2,532,529	\$4,403,199	\$4,480,584	\$77,385	\$4,427,578	\$4,492,346	\$64,768	76.92%

Agency Description

The mission of the Crime Control Division is to promote public safety by strengthening the coordination and performance of the criminal and juvenile justice system and by increasing citizen and public official support for and involvement in criminal justice. The Crime Control Division was created by Section 2-15-2006, MCA. Under the direction of a supervisory Board of Crime Control appointed by the Governor, the Crime Control Division provides financial support, technical assistance, and supportive services to state and local criminal justice agencies. Technical assistance includes such areas as jail improvement, management training, statistical analysis, Crimestoppers, victim/witness assistance, and statewide crime prevention support. Supportive services include: the Montana Uniform Crime Reporting System, which reports major offenses to the F.B.I. and provides management information for local law enforcement; training for juvenile justice system personnel; Peace Officer Standards and Training, which promulgates standards and training for the certification of all peace officers in the State of Montana; and the criminal justice data base, which provides an automated central repository for criminal and juvenile justice system data. The board administers and awards several grant programs, including the Juvenile Justice and Delinquency Prevention Act, the Victim/Witness Assistance Act, the State and Local Law Enforcement Assistance Act, the Narcotics Control Assistance Program, and the State Crime Victims' Compensation program.

CRIME CONTROL DIVISION

Language

The Board of Crime Control administers several federal pass-through grant programs, which have a three-year appropriation authority, on a federal fiscal year basis. To provide continuing authority for the pass-through grants for the three-year period of federal authority, the pass-through grant funds are biennial appropriations. The following language is included in House Bill 2 to allow prior biennium federal grant authority to continue into the 1993 biennium:

"All remaining federal pass-through grant appropriation authority for the 1991 biennium is authorized to continue into fiscal 1992 and fiscal 1993."

The following language is included in House Bill 2 to require general fund recovery of costs associated with juvenile justice training and technical assistance to local law enforcement agencies:

"The Board of Crime Control shall charge tuition and fees sufficient to reimburse the general fund for costs associated with the juvenile justice training program and for technical assistance provided to local law enforcement agencies. The tuition and fees collected must be deposited in the general fund."

Language was also approved that designates each individual pass-through grant program as a biennial appropriation. They are also separate line items in the bill.

Budget

The budget increases primarily due to increases in federal pass-through grant funds and the addition of 2.0 FTE for pass-through grant administration. The majority of these increases are in the seven budget modifications discussed below.

The legislature implemented a 0.5 percent reduction in the agency's total general fund budget for both years of the biennium: \$2,412 in fiscal 1992 and \$2,522 in fiscal 1993.

Personal services increase due to: 1) the addition of 2.0 FTE in Budget Modifications #1 and #3 discussed below; 2) vacancy savings in fiscal 1990; and 3) continuation of the fiscal 1991 pay plan in the 1993 biennium.

The pay plan increase for fiscal 1992 and fiscal 1993 (House Bill 509) is not included in the table above. In Volume I of this report in the "Pay Plan" section is a description of the pay plan increase and a table showing allocations to each agency.

Operating expenses increase due to increased costs for grant administration and juvenile justice programs included in the seven budget modifications discussed below. Current level costs remain the same from fiscal 1990 to fiscal 1992, except for an additional \$12,280 per year for new network service fees.

CRIME CONTROL DIVISION

The equipment budget, which is entirely included in the budget modifications, is for computer equipment for the 2.0 additional FTE and increased juvenile justice reporting.

The majority of the program increases are in federal pass-through grant funds. Since in fiscal 1990 the entire grant funds appropriated were not spent, the unspent authority will carry-over to fiscal 1992 and fiscal 1993. In addition, total federal grant authority has increased. Table 1 shows the pass-through grants and benefits program funding included in the budget.

Table 1
Pass-Through Grants & Benefits
Fiscal 1991 through 1993

<u>Pass-Through Grant Funds</u>	<u>Fiscal 1991</u>	<u>Fiscal 1992</u>	<u>Fiscal 1993</u>
Victims' Assistance	\$ 224,000	\$ 333,000	\$ 333,000
Criminal Justice Assistance Block Grants	396,000	0	0
Juvenile Justice	242,500	221,500	221,500
D.A.R.E. Program Grants - SB 370	0	15,200	15,200
Drug Education/Prevention	427,000	542,218	542,218
Drug Enforcement Block Grant	<u>1,240,000</u>	<u>2,144,000</u>	<u>2,171,000</u>
Total Pass-Through Grants	\$2,529,500	\$3,255,918	\$3,282,918
<u>Crime Victims' Compensation Benefits</u>			
State Special Revenue	<u>\$ 375,000</u>	<u>\$ 451,143</u>	<u>\$ 451,143</u>
Total Grants and Benefits Funds	<u>\$2,904,500</u>	<u>\$3,707,061</u>	<u>\$3,734,061</u>

The federal grant amounts are based upon federal estimates. Most grant authority increases over fiscal 1991, although the Justice Assistance Block Grant program has been discontinued.

CRIME CONTROL DIVISION

Benefits and claims, as shown in the main table, are for the state Crime Victims' Compensation program. The 1993 biennium appropriation increases due to the expansion of the program in Senate Bill 321 to allow compensation benefits to innocent victims of DUI offenders, as discussed in Budget Modification #5, and the addition of funds for child victims of sex offenses.

Budget Modifications

Modification Type	-----Executive-----		-----Legislative-----	
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) Narcotics Control	1.0	1.0	\$81,000	\$1,925,203
2) Juvenile Justice			\$15,000	\$57,000
3) Victims' Assistance	1.0	1.0		271,101
4) Drug Education Grants				253,876
5) SB 321-Victims of DUI Offenders				
6) SB 370-D.A.R.E. Program				
7) SB 379-Parole Officer Standards			\$6,679	\$6,679
Total	2.0	2.0	\$96,000	\$2,507,180
				\$2,691,835

1) Narcotics Control - This modification provides for a biennial increase of \$1,835,000 in federal drug enforcement pass-through grant funds. In addition, it includes \$9,203 federal funds and \$81,000 general fund for administration of the Drug Enforcement grant program. The administrative costs include the addition of 1.0 FTE for grant administration.

2) Juvenile Justice Support Services - These funds would be used for increased juvenile planning, advisory, and reporting services. The juvenile justice reporting system must be improved to comply with federal requirements. Funding for this modification is \$15,000 general fund with \$42,000 in federal funds diverted from current level pass-through grant funds to administrative costs.

3) Victim Assistance and Support Services - The modification provides a biennial increase of \$218,000 federal crime victim assistance funds, and \$55,101 state crime victims' compensation funds for a 1.0 FTE to administer the federal victim assistance grant program. None of the federal funds can be used for grant administration. The grant funds support such programs as safe homes for victims of domestic violence, programs for abused children, and sexual assault programs.

4) Drug Education Grants - These federal funds will provide an additional \$230,436 pass-through grant funds for drug prevention/education efforts for high-risk youth, including support of Project Drug Abuse Resistance Education (DARE). An additional \$23,440 will be used for drug education grant administration.

CRIME CONTROL DIVISION

- 5) Senate Bill 321 - Victims of DUI Offenders - Senate Bill 321 revises the Crime Victims Compensation Act to authorize compensation to innocent victims of DUI offenders. This modification provides \$142,446 additional compensation benefit funds and \$3,130 administrative costs for the new provision in Senate Bill 321.
- 6) Senate Bill 370 - D.A.R.E. Program - This modification provides \$15,200 each year for Drug Abuse Resistance Education (D.A.R.E.) pass-through grants to local governments and \$1,000 each year for grant administration. The funds will be provided by a voluntary income tax check-off, as authorized in Senate Bill 370.
- 7) Senate Bill 379 - Probation and Parole Officer Standards - This modification adds \$6,679 general fund for the biennium to implement the provisions of Senate Bill 379, which provides peace officer status to probation and parole officers in the Department of Institutions. The Crime Control Division must establish minimum standards of training for probation and parole officers.

Funding

In addition to federal funding for the pass-through grants, federal funding is provided for juvenile justice programs and for administration of the Juvenile Justice and Drug Enforcement Block Grant programs.

State special revenue funds Crime Victims' Compensation benefits and administration, and also provides state match funds for administration of the federal Victim Assistance Grant program. House Bill 798 was signed by the Governor, which allows utilization of State Crime Victims' Compensation funds for Federal Victims' Assistance program administration. An additional \$15,200 state special revenue per year is for grants to local governments for the D.A.R.E. Program, as discussed in Budget Modification #6 above.

Funding for all other Crime Control Division activities is general fund, including operation of the Peace Officer Standards and Certification program, the Montana Uniform Crime Reporting System, general agency administration, technical assistance to local law enforcement, and state match funds for the juvenile justice and drug enforcement federal grant programs.

Other Legislation

SB 37 - Youth Detention Services - This bill requires counties to provide youth detention services, and provides for an appropriation of a portion of the lottery proceeds to provide grants to the counties for youth detention services. The Crime Control Division is to administer these pass-through grants. Senate Bill 37 includes a statutory appropriation of 1.6 percent of net lottery proceeds in fiscal 1991 and 9.1 percent of net lottery proceeds in fiscal year 1992 and beyond that must be used for state grants to counties. This appropriation is not included in the tables above.

HB 307 - Child Victims of Sex Offenses - This bill extended the filing time requirements for obtaining crime victim compensation in cases involving sexual offenses against minors. An appropriation of \$9,840 was added in House Bill 2 (current level) to provide the funds required for the increased claims expected as a result of the filing time extension.

HIGHWAY TRAFFIC SAFETY

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	8.50	8.50	8.50	.00	8.50	8.50	.00	.00
Personal Services	224,534	264,143	263,143	1,000-	263,866	262,866	1,000-	17.20%
Operating Expenses	184,800	198,719	193,584	5,135-	198,724	191,324	7,400-	4.75%
Equipment	2,334	3,000	3,000	0	3,000	3,000	0	28.53%
Local Assistance	200,000	400,000	200,000	200,000-	400,000	200,000	200,000-	.00%
Grants	720,000	520,000	520,000	0	520,000	520,000	0	-27.78%
Total Costs	\$1,331,668	\$1,385,862	\$1,179,727	\$206,135-	\$1,385,590	\$1,177,190	\$208,400-	-11.41%
Fund Sources								
General Fund	200,000	400,000	199,000	201,000-	400,000	199,000	201,000-	-.50%
State Revenue Fund	60,950	76,051	75,100	951-	76,039	74,686	1,353-	23.22%
Federal Revenue Fund	1,070,718	909,811	905,627	4,184-	909,551	903,504	6,047-	-15.42%
Total Funds	\$1,331,668	\$1,385,862	\$1,179,727	\$206,135-	\$1,385,590	\$1,177,190	\$208,400-	-11.41%

Agency Description

The Highway Traffic Safety Division was established by Title 61, Chapter 2, MCA, to promote public safety, health, and welfare through efforts directed toward reducing death, injury, and property loss resulting from traffic accidents. Projects are developed and initiated in various levels of government primarily through federal grant funds provided through the division to ensure that a long-term, stable, and statewide program exists. Current program priorities include occupant protection and drinking and driving projects.

Budget

The agency's overall budget decrease results from an anticipated decrease of \$200,000 per year in federal pass-through grant funds. Operating and personal services costs increase for the reasons discussed below.

The legislature implemented a 0.5 percent (\$1,000 each fiscal year) reduction in the agency's total general fund budget for both years of the biennium.

The pay plan increase for fiscal 1992 and fiscal 1993 (House Bill 509) is not included in the table above. In Volume I of this report in the "Pay Plan" section is a description of the pay plan increase and a table showing allocations to each agency.

HIGHWAY TRAFFIC SAFETY

Personal services increases due to vacancy savings and the continuation of the fiscal 1991 pay plan increase in the 1993 biennium. Operating expenses are based on fiscal 1990 actual expenditures, with increases for safety campaign visual aids, indirect costs charged by the Department of Administration, and computer network fees. The equipment request includes \$4,000 for replacement of older computer components and \$2,000 for software upgrades for the traffic accident data collection system. Local assistance funds are general fund pass-through revenues for county DUI Task Force programs. The reduction in grants is due to the end in fiscal 1991 of a five-year federal pass-through grant program of \$200,000 per year for drunk driving awareness programs.

Funding

General fund collected from drivers' license revocation reinstatement fees is appropriated to the Highway Traffic Safety Division for distribution to counties with established drinking and driving prevention programs. Funding for operating costs and federal grants is provided by federal funds from the National Highway Traffic Safety Administration. A 50 percent state match on administration and planning costs comes from the highways state special revenue account. The 15.4 percent decrease in federal funds from fiscal 1990 to fiscal 1992 reflects the elimination of alcohol countermeasure grant funds.

Other Legislation

House Bill 494 - Driver's License Reinstatement Fee - As discussed under "Funding" above, the Division distributes general fund collected from driver's license revocation reinstatement fees to counties with established drinking and driving prevention programs. House Bill 494 doubled the reinstatement fee from \$50 to \$100 and provided that the fees from the increase are to be deposited into a state special revenue account, to be distributed to county treasurers for allocation to cities and towns. The proceeds can be used for programs and facilities for minors, adult chemical dependency treatment programs, law enforcement training programs, and law enforcement equipment. Although the bill states the method and purpose of the distribution, there was no additional appropriation authority provided to the Highway Traffic Safety Division to transfer the funds to the counties. Without appropriation authority, the funds will be deposited into the account, but will not be distributed to the counties in the 1993 biennium.

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<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
FTE	602.00	627.25	645.40	18.15	627.50	638.40	10.90	43.40
Personal Services	17,034,808	18,951,563	18,770,874	180,689-	18,960,970	18,886,769	74,201-	10.19%
Operating Expenses	5,662,202	6,358,257	6,888,607	530,350	6,346,858	6,250,219	96,639-	21.66%
Equipment	1,596,258	1,786,760	1,839,292	52,532	1,273,955	1,439,874	165,919	15.23%
Debt Service	36,453	34,122	42,178	8,056	34,122	42,178	8,056	15.71%
Total Costs	\$24,329,721	\$27,130,702	\$27,540,951	\$410,249	\$26,615,905	\$26,619,040	\$3,135	13.20%
<u>Fund Sources</u>								
General Fund	9,795,293	11,005,479	11,635,646	630,167	11,038,966	11,625,721	586,755	18.79%
State Revenue Fund	13,085,374	14,556,069	14,330,972	225,097-	14,140,122	13,758,831	381,291-	9.52%
Federal Revenue Fund	928,609	968,419	992,180	23,761	835,883	653,232	182,651-	6.85%
Proprietary Fund	520,445	600,735	582,153	18,582-	600,934	581,256	19,678-	11.86%
Total Funds	\$24,329,721	\$27,130,702	\$27,540,951	\$410,249	\$26,615,905	\$26,619,040	\$3,135	13.20%

Agency Description

The Department of Justice, under the direction of the Attorney General, is responsible for statewide legal services and counsel, law enforcement, and public safety, as authorized in Section 2-15-501, MCA. The duties of the department include: 1) providing legal representation for the state and its political subdivisions in criminal appeals; 2) providing legal services and counsel for the state, county, and municipal agencies and their officials; 3) enforcing Montana traffic laws and registering all motor vehicles; 4) enforcing state fire safety codes and regulations; 5) assisting local law enforcement agencies in bringing offenders to justice; 6) managing a statewide system of death investigations and provide scientific analyses of specimens submitted by law enforcement officials, coroners, and state agencies; and 7) providing for the uniform regulation of all gambling activities in the State of Montana.

Budget

The agency's current level budget increases due primarily to \$4.0 million in budget modifications listed in the table below and an increase of more than \$1.7 million in personal services over fiscal 1990 levels.

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The legislature implemented a 0.5 percent reduction (\$109,451) in the agency's total general fund budget for both years of the biennium. Since the agency will be allowed to allocate this budget reduction among programs, it is reflected in the agency table above but is not reflected in the program tables and narratives.

Personal services increase due to the following: 1) the net addition of 3.2 FTE in current level and 40.2 FTE in the budget modifications discussed below; 2) position upgrades for forensic scientists, criminal investigators, and Academy staff in the Law Enforcement Services, Forensic Science, and Law Enforcement Academy Divisions, at a cost of over \$230,000 per year; 3) a salary increase for county attorneys; 4) significant vacancy savings experienced in fiscal 1990 (particularly in the Forensic Science Division); and 5) the fiscal 1991 pay plan increase which continues in the 1993 biennium. These increases are partially offset by downgrades and step reductions from turnovers that occurred in several Highway Patrol uniformed positions and a reduction in overtime costs. FTE in fiscal 1992 are higher than fiscal 1993 because 7.5 FTE are for the Highway Patrol recruit training school, which occurs only in even years. There is an increase of 0.5 FTE in fiscal 1993 in Budget Modification #1.

The legislature implemented a 4 percent (\$1.5 million for the biennium) across-the-board reduction in funding for the total agency personal services in fiscal 1992 and 1993. Funding sources were reduced in proportion to the total personal services at the program level.

The pay plan increase for fiscal 1992 and fiscal 1993 (House Bill 509) is not included in the table above or in the program tables. In Volume I of this report in the "Pay Plan" section is a description of the pay plan increase and a table showing allocations to each agency.

Operating expenses increase from fiscal 1990 to 1992 primarily due to: 1) the budget modifications listed in the table below; 2) biennial and one-year appropriations of \$712,700 that appear in fiscal 1992 only; 3) \$107,000 per year current level increases for the Gambling Control Division over fiscal 1990 levels; and 4) inflationary adjustments of \$157,000 in fiscal 1992 and \$139,500 in fiscal 1993 (mainly in gasoline for the Highway Patrol Division). The 1993 biennium budget for the Gambling Control Division reflects a fully operational program. The program wasn't transferred to the department until October, so only nine months of operation occurred in base fiscal year 1990. Other increases include: 1) the addition of a fourth basic law enforcement training class at the Law Enforcement Academy for students paying their own tuition, at a cost of \$48,000 per year; and 2) an increase of \$46,800 per year for costs of transporting and extraditing prisoners. Operating cost increases are partially offset by the elimination of fiscal 1990 one-time costs of over \$120,000.

Equipment included in current level is predominantly for the Highway Patrol Division for the replacement of 134 patrol cars and for replacement communications and law enforcement equipment.

Debt service in the 1993 biennium is for the purchase of computers in the Data Processing Division and a copy machine in the Law Enforcement Academy.

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Budget Modifications

Modification Type	-----Executive-----			-----Legislative-----				
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) Attorney - Indian Legal Jur.					1.0	1.0	\$91,076	\$91,076
2) Litigation Costs							400,000	400,000
3) Gambling Control Expansion	10.00	10.00		1,043,333	5.00	5.00		512,786
4) Additional Patrol Officers	8.00	8.00		748,004	8.0	8.0		513,399
5) Handheld Radios - Hwy. Patrol				51,000				51,000
6) Fire Prevention Grant								9,976
7) ID Bureau Federal Grant					3.0	3.0		177,279
8) Data Processing Air Cond.			49,400	49,400			49,400	49,400
9) HB 646-Handicap Parking Cards							\$17,500	\$17,500
10) HB 568-Driver's Lic. Stations	8.00	8.00	\$350,660	\$350,660	20.20	20.20	\$1,418,000	\$1,418,000
11) HB 809 - Fire Marshal Bureau					3.00	3.50	\$322,667	\$322,667
12) HB 155-County Attorney Salary							\$469,000	\$469,000
Total	26.00	26.00	\$400,060	\$2,242,397	40.2	40.7	\$2,767,643	\$4,032,083

The budget modifications shown in the table above are described in the program narratives.

Funding

General fund provides 42 percent of total funds for the Department of Justice in fiscal 1992 and supports all or part of the Legal Services Division (100 percent), Motor Vehicle Division (97 percent), Law Enforcement Services Division (60 percent), County Attorney Payroll program (100 percent), Law Enforcement Academy (100 percent), Central Services Division (45 percent), Data Processing Division (74 percent), Extrajudicial and Transportation of Prisoners program (100 percent), and the Forensic Science Division (79 percent). The primary reasons for the increase in general fund are position upgrades of over \$200,000 per year, the addition of the pre-service course at the Law Enforcement Academy, the increase in extradition and transportation costs for prisoners, an increase of 24.2 FTE funded by general fund, and the contingency appropriation and Budget Modification #2 for Indian Legal Jurisdiction legal costs.

State special revenue funds provide 52 percent of total agency funding in fiscal 1992. The primary state special revenue account is the highways special revenue account which supports 96 percent of the Highway Patrol Division and 46.5 percent of the Central

DEPARTMENT OF JUSTICE

Services Division. In the 1993 biennium, this account provides \$22.4 million of funding to the department. The other major state special revenue fund is the gambling license fee account, which supports all of the Gambling Control Division and part of Legal Services and Central Services Divisions. Together these funds provide 93 percent of state special revenue funds in the agency.

Federal funds provide 3.8 percent of total funding for the agency in fiscal 1992, including \$0.5 million in the Highway Patrol Division to support the MCSAP and 65 MPH enforcement squad and \$0.3 million in the Law Enforcement Services Division to support drug enforcement programs. The reduction in federal funds in fiscal 1993 reflects the elimination of funding for the drug enforcement program.

Proprietary funds, which provide 2.2 percent of total agency funding, are for the operation of the Agency Legal Services Division and support of Central Services Division.

Other Legislation

In addition to the appropriations in House Bill 2 that are included in the table above, the Department of Justice received appropriations in three other bills, as discussed below. These appropriations are not included in the main table.

Bill No./Description	Fiscal 1992			Fiscal 1993		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
SB 232 - Salvage Vehicle Inspection	1.00	\$ 42,750	\$ 42,750	1.00	\$ 57,000	\$ 57,000
HB 511 - Forfeited Property		0	250,000*		0	250,000*
HB 579 - Motor Vehicle Registr.	12.00	639,300	639,300	12.00	837,900	837,900
Totals	13.00	\$682,050	\$932,050	13.00	\$894,900	\$1,144,900
*Statutory Appropriation						

SB 232 - Salvage Vehicle Inspection Program - Senate Bill 232 provides statutory authority for the inspection, identification, and management of salvage motor vehicles to the Department of Justice. It requires surrender to the department of certificates of ownership of vehicles determined to be a salvage vehicle and provides for retitling of a salvage vehicle. The bill also creates a vehicle number inspection program and imposes a vehicle number inspection fee. The fee proceeds are deposited in the general fund, and the Department was appropriated the funds from those fees for 1.0 FTE to establish and administer the salvage vehicle program, at a cost of \$99,750 for the biennium.

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HB 511 - Proceeds From Seizure or Forfeiture of Property - The department currently has state special revenue accounts for the deposit of the proceeds of property obtained from the seizure or forfeiture by state officials of property related to a criminal activity. The accounts are for direct state seizure or from participation in federal cases. Expenditures of the funds has required a legislative appropriation or budget amendment. House Bill 511 statutorily appropriates up to \$125,000 each year from the state forfeiture account for support of state and local law enforcement programs, and \$125,000 each year from the federal forfeiture account for enforcement of drug laws.

HB 579 - Motor Vehicle Registration System - House Bill 579 generally revises the state motor vehicle registration laws and creates an automated vehicle registration and renewal system. The Department of Justice received an appropriation of \$1,477,200 general fund and 12.0 FTE to develop and operate the statewide motor vehicle computer system, to include automated mail renewals. The additional expenditure authority is to be funded by increased registration fees for motor vehicles, boats, snowmobiles, and off-highway vehicles, which will generate \$1.8 million general fund in the 1993 biennium.

LEGAL SERVICES DIVISION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	25.50	25.50	26.50	1.00	25.50	26.50	1.00	1.00
Personal Services	890,312	990,601	991,915	1,314	989,277	990,545	1,268	11.41%
Operating Expenses	177,348	242,328	705,398	463,070	237,743	200,655	37,088-	297.75%
Equipment	31,829	12,975	17,475	4,500	12,704	12,704	0	-45.10%
Debt Service	2,085	0	0	0	0	0	0	-100.00%
Total Costs	\$1,101,574	\$1,245,904	\$1,714,788	\$468,884	\$1,239,724	\$1,203,904	\$35,820-	55.67%
<u>Fund Sources</u>								
General Fund	1,101,574	1,245,904	1,403,018	157,114	1,239,724	990,932	248,792-	27.36%
State Revenue Fund	0	0	311,771	311,771	0	212,972	212,972	.00%
Federal Revenue Fund	0	0	1-	1-	0	0	0	.00%
Total Funds	\$1,101,574	\$1,245,904	\$1,714,788	\$468,884	\$1,239,724	\$1,203,904	\$35,820-	55.67%

Program Description

The Legal Services Division provides the Attorney General with legal research and analysis; provides legal counsel for state government officials, bureaus, and boards; provides legal assistance to local governments and Indian tribes; and provides legal assistance, training, and support for county prosecutors. The Legal Services Division is comprised of the County Prosecutor Services Bureau, the Appellate Legal Services Bureau, and the Indian Legal Jurisdiction Section. The Legal Services program consists of the combined Legal Services, Indian Legal Jurisdiction, and County Prosecutor Services programs as presented in the 1991 biennium budget.

Language

"The legislature recognizes that costs associated with the Crow coal case, water rights, and tribal litigation may exceed the appropriation in [the Legal Services Division appropriation], and in that event, the department will need to request a supplemental appropriation from the 1993 legislature to adequately represent the state."

LEGAL SERVICES DIVISION

Budget

The Legal Services Division budget increases from fiscal 1990 to 1992 due to the two budget modifications discussed below, personal services increases, and a biennial contingency appropriation for caseload costs in the Indian Legal Jurisdiction program.

Personal services increase due to the addition of 1.0 FTE in the budget modification discussed below, vacancy savings in fiscal 1990, and the fiscal 1991 pay plan increase that continues into the 1993 biennium.

Operating expenses increase due primarily to Budget Modification #2 and the inclusion in fiscal 1992 of a \$100,000 biennial contingency appropriation in the Indian Legal Jurisdiction program for legal fees, expert witnesses, and other court costs. In fiscal 1990, only \$11,200 of this appropriation was expended. Other increases include \$13,600 per year for legal research costs, Department of Administration computer network fees, and operating costs related to the addition of a new position in Budget Modification #1. Operating expenses include \$9,500 each year that is line-itemed in House Bill 2 for case-related travel.

Equipment includes \$17,550 for computer equipment and software; \$4,629 for shelving, file cabinets, and typewriters; \$4,500 for office equipment for the new position added by budget modification; and \$3,500 for replacement carpet.

Budget Modifications

Modification Type	-----Executive-----			-----Legislative-----		
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93
1) Attorney - Indian Legal Jur.					1.0	1.0
2) Litigation Costs						
Total	0.00	0.00	\$0	\$0	1.0	1.0
					\$91,076	\$91,076
					400,000	400,000
					\$491,076	\$491,076

1) Indian Legal Jurisdiction Attorney - This modification provides \$91,076 general fund in the 1993 biennium to add a 1.0 FTE attorney to provide legal support with issues involving Indian legal jurisdiction. The litigation in Indian jurisdiction issues is expected to increase in the upcoming biennium, particularly with regard to water rights adjudication on the reservations.

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2) Litigation Costs - This modification provides \$400,000 general fund in the Indian Legal Jurisdiction Bureau as a biennial appropriation for costs associated with the Crow coal litigation and water rights negotiations.

Funding

The Legal Services Division has historically been supported 100 percent by general fund. In the 1993 biennium, \$524,743 of Gambling License Fee state special revenue funds were substituted for general fund on a one-time basis, utilizing an excess balance in that state special revenue account.

AGENCY LEGAL SERVICES

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	11.50	13.50	13.50	.00	13.50	13.50	.00	2.00
Personal Services	375,402	471,510	452,650	18,860-	471,294	452,442	18,852-	20.58%
Operating Expenses	104,622	114,611	114,694	83	114,959	114,863	96-	9.63%
Equipment	31,954	4,550	4,550	0	4,550	4,550	0	-85.76%
Total Costs	\$511,978	\$590,671	\$571,894	\$18,777-	\$590,803	\$571,855	\$18,948-	11.70%
Fund Sources								
Proprietary Fund	511,978	590,671	571,894	18,777-	590,803	571,855	18,948-	11.70%
Total Funds	\$511,978	\$590,671	\$571,894	\$18,777-	\$590,803	\$571,855	\$18,948-	11.70%

Program Description

The Agency Legal Services program provides legal services to state agencies upon request. Agencies are billed for attorney time and case-related costs to support the program.

Budget

The Agency Legal Services budget increases from fiscal 1990 to 1992 primarily due to personal services costs, which are increased by 2.0 FTE in fiscal 1991 for additional attorney staff and secretarial support as approved by the 1989 legislature. Personal services also increase due to the fiscal 1991 pay plan increase that continues in the 1993 biennium.

Operating costs increase due to Department of Administration network fees, increased rent and other fixed costs, and the additional operating costs related to the two new staff positions.

Equipment is for replacement of older computer equipment (\$3,500) and for purchase of two new lap-top portable computers (\$5,600).

AGENCY LEGAL SERVICES

Funding

Agency Legal Services is a proprietary fund operation. The source of revenue is an hourly fee charged to user agencies for its services. The hourly fee in the 1989 and 1991 biennia has been \$48 per hour for attorney fees and \$27.50 per hour for paralegal services. The legislature approved an increase in the services fees to \$53 per hour for attorney fees and \$30 per hour for paralegal services in the 1993 biennium, primarily to fund personal services increases. The user agencies most affected will be the Tort Claims Division, which pays approximately 60 percent of total fees, and the State Compensation Mutual Insurance Fund, which pays 20 percent of total fees.

GAMBLING CONTROL DIVISION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	31.00	41.00	36.00	5.00-	41.00	36.00	5.00-	5.00
Personal Services	878,579	1,268,962	1,068,812	200,150-	1,266,822	1,067,128	199,694-	21.65%
Operating Expenses	281,865	534,275	466,717	67,558-	535,651	462,779	72,872-	65.58%
Equipment	225,137	279,093	157,263	121,830-	90,375	63,700	26,675-	-30.15%
Total Costs	\$1,385,581	\$2,082,330	\$1,692,792	\$389,538-	\$1,892,848	\$1,593,607	\$299,241-	22.17%
<u>Fund Sources</u>								
State Revenue Fund	1,385,581	2,082,330	1,692,792	389,538-	1,892,848	1,593,607	299,241-	22.17%
Total Funds	\$1,385,581	\$2,082,330	\$1,692,792	\$389,538-	\$1,892,848	\$1,593,607	\$299,241-	22.17%

Program Description

The Gambling Control Division was established by the Fifty-first Legislature to investigate, license, and regulate the gambling industry in Montana. An appointed gaming advisory council of nine members provides advisory services to the Attorney General to ensure uniform statewide regulation of gambling activities. The division has criminal justice authority and conducts field routine inspections and investigations for irregularities in gambling activities. In addition to collecting licensing fees for gambling machines and activities, the division is also responsible for collection and distribution of the gambling tax assessed on the net proceeds of gambling activities.

The division was created by transferring the video gaming control functions from the Department of Commerce and enforcement functions from the Department of Revenue to the Department of Justice, along with new funding and FTE for gambling regulation. The revised gambling laws took effect on October 1, 1989.

Budget

The Gambling Control Division budget increases due to the budget modification discussed below and since fiscal 1990 expenditures represent less than a full year of operations. The division did not begin full operations until the revised gaming laws became effective October 1, 1989.

Personal services increase due to the addition of 5.0 FTE in the budget modification, vacancy savings, and the fiscal 1991 pay plan increase that continues in the 1993 biennium.

GAMBLING CONTROL DIVISION

Operating expenses increase due to the budget modification and since fiscal 1990 does not represent a full year of operations as discussed above. The 1993 biennium operating expense budget is based on a modified fiscal 1991 appropriation, adjusted for additional increases, including \$40,000 per year added for the costs of appeals of gaming licensure denied by the division.

The equipment budget is for the purchase of vehicles, computer system upgrades, and laboratory equipment as prioritized by the agency.

The Executive Budget requested 10.0 additional gambling control enforcement FTE (at a biennial cost of \$1.04 million). The Attorney General requested a total of 23.0 FTE at a total cost of \$2.1 million, to be funded by an increase in gambling fees and licenses. The legislature approved an additional 5.0 FTE, to be funded from existing revenue sources. No fee increases were approved.

Budget Modification

Modification Type	-----Executive-----			-----Legislative-----		
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93
1) Gambling Control Expansion	10.0	10.0	\$0	\$1,043,333	5.0	5.0
					\$0	\$512,786

1) Gambling Control Expansion - This modification provides 5.0 additional FTE for two years to address a backlog of license background checks, operator application processing, and tax return processing and auditing for gaming activities. This modification is a one-time cost and is funded by a surplus in the gambling license fee account. Current annual revenues are insufficient to fund these additional FTE beyond the 1993 biennium.

Funding

Funding for the Gambling Control Division is from a portion of the revenues generated through licenses and permits for gambling operators, machines, and other gambling activities, as well as license fees for video gambling machine manufacturer/distributors. The revenues are deposited into a state special revenue account to be used for the costs related to operations of the division and other distributions. The division distributes gambling taxes assessed on the net proceeds of gambling activities and a portion of license and permit fees to counties and municipalities in which the gambling activity is located. A portion of the taxes are deposited to the general fund.

MOTOR VEHICLE DIVISION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	160.05	167.05	179.25	12.20	167.05	179.25	12.20	19.20
Personal Services	3,242,249	3,619,582	3,760,346	140,764	3,630,705	3,787,925	157,220	15.98%
Operating Expenses	1,447,855	1,480,155	1,647,149	166,994	1,482,900	1,636,374	153,474	13.76%
Equipment	78,718	94,670	107,586	12,916	63,535	63,535	0	36.67%
Total Costs	\$4,768,822	\$5,194,407	\$5,515,081	\$320,674	\$5,177,140	\$5,487,834	\$310,694	15.65%
<u>Fund Sources</u>								
General Fund	4,571,027	5,016,407	5,342,289	325,882	5,039,140	5,353,881	314,741	16.87%
State Revenue Fund	73,062	128,000	124,254	3,746-	88,000	85,419	2,581-	70.07%
Federal Revenue Fund	124,733	50,000	48,538	1,462-	50,000	48,534	1,466-	-61.09%
Total Funds	\$4,768,822	\$5,194,407	\$5,515,081	\$320,674	\$5,177,140	\$5,487,834	\$310,694	15.65%

Program Description

The Motor Vehicle Division is responsible for vehicle registration and vehicle operator licensing. The Driver Services Bureau implements and administers the laws relating to the examination, issuance, cancellation, suspension, revocation, and reinstatement of drivers' licenses and driving privileges. The Motor Vehicle Registrar's Bureau provides a system for registration, titling, record keeping, and licensing of motor vehicles, vessels, and recreational vehicles. The Motor Vehicle Division consists of the combined Driver Services and Motor Vehicle Registrar programs as presented in the 1991 biennium budget.

Budget

The Motor Vehicle Division budget increases primarily due to the two budget modifications discussed below.

Personal services increase due to the addition of 20.2 FTE in Budget Modification #2, the elimination of a clerical position in fiscal 1991, vacancy savings in fiscal 1990, and the fiscal 1991 pay plan that continues in the 1993 biennium.

Operating expenses increase due to the budget modifications, an increase of \$23,000 per year in the driver's license photo contract, inflationary adjustments, and minor increases in building rent. These increases are partially offset by the elimination of one-time costs in fiscal 1990 of \$24,900 for the Commercial Vehicle Operator's License (CVOL) implementation.

MOTOR VEHICLE DIVISION

Equipment includes funds for the replacement of eight vehicles (\$86,080), 20 typewriters (\$12,120), file cabinets (\$4,410), and desks and chairs (\$10,195) in the Driver Services Bureau. An additional \$14,400 is for the replacement of six computer terminals in the Registrar's Bureau, and \$43,916 is added in Budget Modification #2 to add 20.2 FTE and implement Driver's License Express Stations.

Budget Modifications

Modification Type	-----Executive-----			-----Legislative-----		
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93
1) HB 646 - Handicap Parking Cards						
2) HB 568-Driver's Lic. Stations	8.00	8.00	\$350,660	\$350,660	20.20	20.20
						\$17,500
						1,418,000
Total	8.00	8.00	\$350,660	\$350,660	20.2	\$1,435,500

1) HB 646 - Handicap Parking Display Cards - This modification provides additional funding for handicap parking display cards so that handicapped persons may receive more than one parking privilege display card if they own more than one vehicle. The costs of the increase are offset by a \$1 fee for issuance of the cards, which is deposited in the general fund.

2) HB 568 - Driver's License Express Stations - This modification adds \$1,418,000 general fund and 20.2 FTE in the 1993 biennium to establish express stations in licensing facilities for driver's license renewals, to reduce customer delays at licensing stations statewide. Revenue for this appropriation was provided in House Bill 568, which increased the driver's license fee by \$1 per year, adding \$1,418,000 for the biennium to the general fund.

Funding

The division is funded primarily by general fund, including all of the Registrar's Bureau and 95 percent of the Driver Services Bureau. License fees collected by the division are deposited in the general fund. In addition, the Driver Services Bureau is funded by state special revenue funds of \$165,059 from 3.3 percent of drivers' license fee collections, \$38,779 for driver rehabilitation fees collected from individuals attending driver rehabilitation and improvement courses to defray course costs, and \$5,817 for fees charged to recover costs of the Montana Highway Patrol Identification Card issues. State special revenues increase primarily due to increased revenues from the 3.3 percent share of drivers' license fee collections. A \$40,000 fund balance carryover is spent down in fiscal 1992. Federal funds, which were received for implementation of the CVOL system, were higher in the 1991 biennium due to one-time funding for the implementation of the CVOL system. Federal funding for the CVOL system will probably not be available after fiscal 1993.

HIGHWAY PATROL DIVISION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	263.90	269.40	273.15	3.75	269.40	265.65	3.75-	9.25
Personal Services	8,055,987	8,495,532	8,210,404	285,128-	8,489,426	8,082,392	407,034-	1.92%
Operating Expenses	2,039,596	2,224,260	2,192,760	31,500-	2,212,817	2,105,550	107,267-	7.51%
Equipment	1,012,457	1,080,915	1,237,115	156,200	960,271	1,166,781	206,510	22.19%
Total Costs	\$11,108,040	\$11,800,707	\$11,640,279	\$160,428-	\$11,662,514	\$11,354,723	\$307,791-	4.79%
<u>Fund Sources</u>								
State Revenue Fund	10,630,387	11,293,697	11,153,342	140,355-	11,155,138	10,869,712	285,426-	4.92%
Federal Revenue Fund	477,653	507,010	486,937	20,073-	507,376	485,011	22,365-	1.94%
Total Funds	\$11,108,040	\$11,800,707	\$11,640,279	\$160,428-	\$11,662,514	\$11,354,723	\$307,791-	4.79%

Program Description

The Highway Patrol Division is responsible for patrolling the highways in Montana, enforcing traffic laws, and investigating traffic accidents. The patrol gives assistance and information to motorists, first-aid to those injured in traffic accidents, transports blood and medical supplies in emergency situations, and assists other law enforcement agencies when requested. The patrol's Communications Bureau provides 24-hour, seven-day-a-week communication and radio dispatch for the Highway Patrol and other state agencies. The Motor Carrier Safety Assistance program (MCSAP) attempts to reduce commercial motor vehicle accidents in the state by participating in the Commercial Vehicle Safety Alliance (CVSA) and its North American Driver/Vehicle Inspection program in all levels of inspections as well as safety review audits.

Language

The legislature voted not to continue the language that had been in the general appropriation bill for several biennia requiring the department to implement a cost allocation plan for the purpose of recovering the operational cost of regional dispatch centers from all user agencies on an equitable basis. The cost allocation plan has never been implemented.

Budget

The Highway Patrol Division budget increases due to the budget modifications discussed below, increases in officer away-from-home allowances, inflationary adjustments, and equipment purchases.

HIGHWAY PATROL DIVISION

- 1) Additional Patrol Officers and Dispatchers - This modification provides \$513,399 of highways state special revenue fund in the 1993 biennium for additional FTE, including 4.0 additional patrol officers and 4.0 additional communications operators on duty. The objective is to reduce delay in responding to motorists' needs and to have sufficient dispatchers to service the entire state on a 24-hour basis. The Executive modified request was \$220,000 higher than legislative action because it included funding for an increase in prisoner per diem. The legislature included the prisoner per diem cost increases in the current level base, as discussed above.
- 2) Handheld Radios - This modification provides \$51,000 of highways state special revenue funds in fiscal 1992 to purchase 75 handheld radios for patrol officers.

Funding

The Highway Patrol Division is funded primarily by highways state special revenue funds. Since these funds are also the primary source of state funds for highway construction and maintenance, funds used for highway patrol operations reduce funds available for the State Highway program. The MCSAP program is funded 80 percent by federal funds from the U.S. Department of Transportation. A 20 percent state match is required for the program, but approximately one-third of the match is provided by a soft match utilizing highway patrol officers to conduct truck inspections. The 65 MPH enforcement squad is funded entirely by federal funds from the U.S. Department of Transportation through a grant from the Highway Traffic Safety Division.

LAW ENFORCEMENT SERVICES DIVISION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	40.00	40.75	46.00	5.25	41.00	46.50	5.50	6.00
Personal Services	1,200,890	1,301,775	1,387,111	85,336	1,309,662	1,408,234	98,572	15.51%
Operating Expenses	385,127	493,462	470,128	23,334-	485,104	466,436	18,668-	22.07%
Equipment	89,696	83,567	131,303	47,736	36,030	74,604	38,574	46.39%
Total Costs	\$1,675,713	\$1,878,804	\$1,988,542	\$109,738	\$1,830,796	\$1,949,274	\$118,478	18.67%
<u>Fund Sources</u>								
General Fund	1,006,635	1,082,902	1,183,297	100,395	1,202,227	1,502,502	300,275	17.55%
State Revenue Fund	342,855	384,493	348,539	35,954-	350,062	327,085	22,977-	1.66%
Federal Revenue Fund	326,223	411,409	456,706	45,297	278,507	119,687	158,820-	40.00%
Total Funds	\$1,675,713	\$1,878,804	\$1,988,542	\$109,738	\$1,830,796	\$1,949,274	\$118,478	18.67%

Program Description

The Law Enforcement Services Division includes the administration, management, and coordination of a broad spectrum of criminal investigative services performed by the Criminal Investigation Bureau, Identification Bureau, and Criminal Intelligence Information Bureau. Criminal investigators conduct criminal investigations of homicide, fraud, robbery, assault, corruption, arson, organized crime, dangerous drug activity, and other felony crimes. The program activity includes conducting criminal investigations of state agencies and providing investigative training to law enforcement officers. The division emphasizes providing adequate specialized drug enforcement resources to address drug abuse and drug trafficking in Montana. The division also includes the Fire Marshal Bureau, which is responsible for safeguarding life and property from fire, explosion, and arson through investigative, inspection, and fire code interpretation and enforcement functions. The Law Enforcement Services Division consists of the combined Law Enforcement Services, Fire Marshal, Criminal Investigation, Identification, and Special Investigation programs as presented in the 1991 biennium budget.

Language

Permanent Funding for Drug Investigation Units

The Law Enforcement Services Division has two drug investigation units that comprise the Statewide Drug Enforcement program. The western state drug task force is currently funded by a federal grant administered by the Board of Crime Control, requiring a 25 percent general fund match (scheduled to go to a 50 percent match in fiscal 1993). The federal funds were originally granted with

LAW ENFORCEMENT SERVICES DIVISION

a four-year limitation, scheduled to end in fiscal 1992. The eastern state drug enforcement task force is funded with a Coal Board grant.

In anticipation of the need for a more permanent funding source for the statewide drug enforcement program in the 1993 biennium, the legislature approved the substitution of general fund for federal funds in the western drug enforcement task force in fiscal 1993. The total substitution of general fund for federal funds as a result of this action was \$229,100 for the biennium.

The appropriation for the drug enforcement task forces was line-itemed in House Bill 2 and the following language was approved to replace the general fund appropriation with federal or other funds should another source of funds become available for the western drug enforcement task force:

"If federal or other funds can be obtained for [the Special Investigation Section - West] in fiscal 1993, the federal or other funds must replace the general fund appropriation [for the program] and the general fund appropriation must be reduced by the amount of federal or other funds received. The total appropriation [for the program] may not be increased."

Budget

The Law Enforcement Services Division budget increases primarily due to the budget modifications discussed below, increases in federal grants, and increases in personal services.

Personal services increase due to vacancy savings in fiscal 1990, the fiscal 1991 pay plan increase that continues in the 1993 biennium, a pay plan exception for a chemist, and the addition of 6.0 FTE in Budget Modifications #2 and #3.

Operating expenses increase primarily due to: 1) the budget modifications discussed below; 2) an increase of \$7,000 per year for fire training in the Fire Marshal Bureau; 3) inflationary adjustments; and 4) an increase in federal grant funds for the location and eradication of illicit marijuana fields and prosecution of those cases. The current level budget continues the federal grants at 1991 biennium appropriated levels (\$32,000 per year), although only \$740 was expended in fiscal 1990. An offsetting decrease in operating expenses is due to a \$12,000 per year reduction in vehicle lease costs for criminal investigation units (replaced by funding for purchase of used cars).

Equipment includes \$70,000 for ten used vehicles to be used for undercover investigations, \$11,600 for a replacement pickup for the Fire Marshal Bureau, \$6,786 for Fire Marshal inspection and storage equipment, \$9,600 for three computers for criminal investigation work, \$26,775 for criminal investigation equipment, \$4,222 for office equipment, \$2,500 for a paper shredder, \$1,000 for Budget Modification #1, and \$73,424 for Budget Modification #3, expansion of the Fire Marshal Bureau.

LAW ENFORCEMENT SERVICES DIVISION

Budget Modifications

Modification Type	-----Executive-----		-----Legislative-----	
	FTE FY92	FTE FY93	FTE FY92	FTE FY93
			General Fund 92-93	Total 92-93
1) Fire Prevention Grant				\$9,976
2) ID Bureau Federal Grant				177,279
3) HB 809 - Fire Marshal Bureau			322,667	322,667
Total	0.00	0.00	6.0	6.5
			\$322,667	\$509,922

1) Fire Prevention Grant - This modification provides \$10,000 in federal grant funds for fire prevention programs to be administered by the Fire Marshal Bureau.

2) ID Bureau Federal Grant - This modification adds 3.0 FTE and \$91,326 per year federal grant funds to improve the quality, quantity, and integrity of criminal history data, including fingerprint information and recording.

3) HB 809 - Fire Marshal Bureau Expansion - This modification adds \$322,667 general fund and 3.0 FTE (increasing to 3.5 FTE in fiscal 1993) to increase the current staff in the Fire Marshal Bureau. Current staffing has been unable to meet the statutory requirements for the frequency of fire safety inspections and other related statutory responsibilities. House Bill 809 provides for an increase in the fire insurance premium tax from 3/4 of 1 percent to 1 percent to fund the bureau expansion. The increased tax will generate \$322,667 in the 1993 biennium, which will be deposited in the general fund.

Funding

The Fire Marshal (including the expansion in Budget Modification #3) and Identification Bureaus are funded entirely by general fund, as are the majority of the general criminal and drug investigation functions of the Criminal Investigation Bureau. General fund provides a 25 percent match for the federal grant funding of the western drug enforcement task force in fiscal 1992 and assumes full funding of the western drug enforcement task force in fiscal 1993 due to an anticipated loss of federal matching funds (see the discussion on permanent funding for the western drug investigation unit under the "Language" section above).

LAW ENFORCEMENT SERVICES DIVISION

State special revenue funds include \$37,733 in fiscal 1992 and \$37,704 in fiscal 1993 from the workers' compensation account for a workers' compensation fraud investigator with the remainder from a Coal Board grant for the eastern state drug enforcement task force.

Federal funds include \$32,000 per year federal grant funds for the Montana Marijuana Eradication program, \$177,279 for the biennium for the ID Bureau grant in Budget Modification #2, \$9,976 in fiscal 1992 for the Fire Prevention grant in Budget Modification #1, and \$336,898 in fiscal 1992 only as a 75 percent match for drug enforcement funds for the western drug enforcement task force. The reduction in federal funds from fiscal 1992 to 1993 reflects the anticipated loss of federal match funds for the western drug enforcement task force.

COUNTY ATTORNEY PAYROLL

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
FTE	19.05	19.05	19.50	.45	19.05	19.50	.45	.45
Personal Services	<u>977,141</u>	<u>1,056,404</u>	<u>1,150,148</u>	<u>93,744</u>	<u>1,057,745</u>	<u>1,348,435</u>	<u>290,690</u>	<u>17.71%</u>
Total Costs	\$977,141	\$1,056,404	\$1,150,148	\$93,744	\$1,057,745	\$1,348,435	\$290,690	17.71%
<u>Fund Sources</u>								
General Fund	<u>977,141</u>	<u>1,056,404</u>	<u>1,150,148</u>	<u>93,744</u>	<u>1,057,745</u>	<u>1,348,435</u>	<u>290,690</u>	<u>17.71%</u>
Total Funds	\$977,141	\$1,056,404	\$1,150,148	\$93,744	\$1,057,745	\$1,348,435	\$290,690	17.71%

Program Description

The County Attorney Payroll program pays one-half the salary and benefits of the 56 county attorneys from state general fund, as required by Section 7-4-2502, MCA.

Language

"[The County Attorney Salary Increase Budget Modification] is contingent on passage and approval of House Bill No. 155. In the event that a pay plan bill is passed approved that includes salary increases for county attorneys, the [Salary Increase Budget Modification] must be reduced by the amount included in the pay plan bill for county attorney salaries."

Budget

The budget for the County Attorney Payroll program increases over fiscal 1990 levels primarily due to the budget modification discussed below, the addition of 0.45 FTE during the 1991 biennium over appropriated levels, and pay increases averaging 3.3 percent as authorized by statute. Two counties have increased their county attorney position from part-time to full-time as allowed by statute, resulting in the FTE increase. These increases resulted in the need for a supplemental appropriation in the 1991 biennium of \$77,000.

Statute requires that county attorney salaries are payable one-half from the state treasury (general fund) and one-half from the county general fund. The budgeted state payroll for county attorneys includes funds for 20 full-time county attorneys, 13 county attorneys at 60 percent time, 22 county attorneys at half-time, and one county attorney at 20 percent time.

COUNTY ATTORNEY PAYROLL

Budget Modification

<u>Modification Type</u>	<u>-----Executive-----</u>			<u>-----Legislative-----</u>				
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) HB 155 - County Attorney Salary	0.0	0.0	\$0	\$0	0.0	0.0	\$469,000	\$469,000

1) HB 155 - County Attorney Salary Increase - House Bill 155 generally revised the salary of county attorneys, making the base salary for a full-time county attorney \$50,000 per year. The previous average salary for a full-time county attorney (fiscal 1991) was \$46,500 per year. Additionally, the allowed annual cost-of-living increase was raised from 70 percent of the last previous year's consumer price index to 100 percent. This modification provides \$469,000 general fund for the 1993 biennium, which represents the general fund impact of the salary increase over current law. House Bill 155 provided the funding for the increase by raising the monetary charge for a misdemeanor conviction from \$10 to \$15 and reallocating justices' courts fees distributed to the general fund from 23 percent to 27.88 percent. The increase will generate an estimated \$483,000 in the 1993 biennium.

LAW ENFORCEMENT ACADEMY DIVISION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	10.00	10.00	10.50	.50	10.00	10.50	.50	.50
Personal Services	257,067	306,580	332,052	25,472	306,033	331,445	25,412	29.17%
Operating Expenses	212,834	298,022	259,100	38,922-	297,663	259,357	38,306-	21.74%
Equipment	20,154	8,000	8,000	0	8,000	8,000	0	-60.31%
Debt Service	4,699	0	8,056	8,056	0	8,056	8,056	71.44%
Total Costs	\$494,754	\$612,602	\$607,208	\$5,394-	\$611,696	\$606,858	\$4,838-	22.73%
<u>Fund Sources</u>								
General Fund	494,754	612,602	607,208	5,394-	611,696	606,858	4,838-	22.73%
Total Funds	\$494,754	\$612,602	\$607,208	\$5,394-	\$611,696	\$606,858	\$4,838-	22.73%

Program Description

The Law Enforcement Academy Division provides a professional education and training program in criminal justice for Montana law enforcement officers and other criminal justice personnel. The academy, at its campus in Bozeman, provides an annual curriculum specifically designed to meet the needs of the criminal and juvenile justice system.

Budget

The Law Enforcement Academy budget increases primarily due to additional personal services costs and the addition of a "pre-service" course.

Personal services increase due to: 1) vacancy savings in fiscal 1990; 2) the fiscal 1991 pay plan increase that continues into the 1993 biennium; 3) hiring two replacement staff at higher step levels than the budgeted step 2; 4) the addition of an 0.5 FTE (although operating expenses were reduced by the same amount); and 5) salary upgrades as a result of a program reorganization, at a cost of \$30,600 per year.

Operating expenses increase due to the addition of the "pre-service" ten-week basic training course at the Academy for up to 32 students each year, at a cost of \$48,000 per year. As authorized by the 1989 legislature in House Bill 146, the students will pay tuition fees to attend the course in an amount sufficient to fund the increased cost, with all fees deposited in the general fund. Other minor adjustments to the fiscal 1990 base were offsetting.

LAW ENFORCEMENT ACADEMY DIVISION

Actual fiscal 1990 expenditures were \$30,000 below the appropriated levels. The savings were due to the purchase of the academy buildings and campus in July 1988 and the resulting lower costs of operating the facility. While the 1991 biennium budget was based on an anticipated 25 percent reduction in operating costs due to the building purchase, actual expenditures in fiscal 1990 were an additional \$30,000 lower than expected.

Equipment includes \$2,000 per year for the replacement of mattresses, \$2,000 per year to replace hot water heaters, \$2,000 per year to replace personal computers over 5 years old, and \$2,000 per year to replace audio-visual educational equipment.

Debt service is for the lease of a copy machine.

Funding

The Law Enforcement Academy is funded entirely by general fund. The Academy charges tuition for certain classes that are taught, particularly specialized courses and the new "pre-service" course, which is self-supporting. All tuition fees are deposited in the general fund.

CENTRAL SERVICES DIVISION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	9.00	9.00	9.00	.00	9.00	9.00	.00	.00
Personal Services	260,354	289,230	277,661	11,569-	288,640	277,094	11,546-	6.65%
Operating Expenses	102,366	108,293	127,687	19,394	111,574	93,913	17,661-	24.74%
Equipment	5,407	5,000	5,000	0	5,000	5,000	0	-7.53%
Total Costs	\$368,127	\$402,523	\$410,348	\$7,825	\$405,214	\$376,007	\$29,207-	11.47%
<u>Fund Sources</u>								
General Fund	165,640	183,147	184,451	1,304	184,372	169,654	14,718-	11.36%
State Revenue Fund	194,020	209,312	215,638	6,326	210,711	196,952	13,759-	11.14%
Proprietary Fund	8,467	10,064	10,259	195	10,131	9,401	730-	21.16%
Total Funds	\$368,127	\$402,523	\$410,348	\$7,825	\$405,214	\$376,007	\$29,207-	11.47%

Program Description

The Central Services Division provides the administrative, personnel, budgetary, accounting, and fiscal support for the Department of Justice. The program also administers the county attorney payroll and transportation of prisoners program expenditures.

Budget

The Central Services Division current level budget increases from fiscal 1990 to 1992 primarily due to increased personal services and the inclusion of a biennial appropriation in fiscal 1992 for the legislative audit.

Personal services increase due to vacancy savings in fiscal 1990 and the fiscal 1991 pay plan increase that is continued in the 1993 biennium.

Operating expenses increase due to the \$36,993 biennial appropriation in fiscal 1992 for audit costs as compared to audit expenditures of only \$22,888 in fiscal 1990. There were also increases of over \$9,000 in fiscal 1992 and \$12,000 in fiscal 1993 over fiscal 1990 levels for fixed costs such as building rent, payroll service fees, and computer network fees. Travel costs increase \$1,000 per year.

Equipment includes \$5,000 per year for replacement computers and software for four work stations.

CENTRAL SERVICES DIVISION

Funding

The Central Services Division is supported by a direct allocation from the four major funds that support the Department of Justice in proportion to their total budgeted costs. This represents a change from last biennium, when only three funds supported the division. The gambling license fee state special revenue account was not included in the 1991 biennium allocation. The increase in the proprietary fund allocation reflects an expansion of the Agency Legal Services program in fiscal 1993. Funding for the division in the 1993 biennium includes 45 percent from the general fund, 46.5 percent from the highways state special revenue fund, 6 percent from the gambling license fee account, and 2.5 percent from the Agency Legal Services proprietary account.

DATA PROCESSING DIVISION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	15.00	15.00	15.00	.00	15.00	15.00	.00	.00
Personal Services	426,751	465,800	447,168	18,632-	465,621	446,996	18,625-	4.78%
Operating Expenses	439,486	432,855	395,072	37,783-	437,274	399,502	37,772-	-10.11%
Equipment	36,923	82,990	61,000	21,990-	33,490	16,000	17,490-	65.21%
Debt Service	29,669	34,122	34,122	0	34,122	34,122	0	15.01%
Total Costs	\$932,829	\$1,015,767	\$937,362	\$78,405-	\$970,507	\$896,620	\$73,887-	.49%
<u>Fund Sources</u>								
General Fund	666,055	785,480	696,393	89,087-	740,379	649,773	90,606-	4.55%
State Revenue Fund	266,774	230,287	240,969	10,682	230,128	246,847	16,719	-9.67%
Total Funds	\$932,829	\$1,015,767	\$937,362	\$78,405-	\$970,507	\$896,620	\$73,887-	.49%

Program Description

The Data Processing program provides a full range of automated data processing and telecommunication services for the Department of Justice including: 1) system development and maintenance of the motor vehicle registration system; 2) driver history system; 3) criminal history record information system and the Montana Uniform Crime Reporting System; 4) computer operator support for the Department of Justice computer system (which serves as a back-up system for the state mainframe system and is owned by the Department of Administration); 5) and system development and support for the Criminal Justice Information Network (CJIN). CJIN links law enforcement/criminal justice agencies with information sources at local, state, and national levels by interfacing with the National Law Enforcement Telecommunications System, the National Crime Information Center (NCIC), and numerous State of Montana files.

Budget

The Data Processing Division budget increases due to higher personal services costs and the budget modification discussed below, but the increase is nearly offset by reduced operating expenses.

Vacancy savings in fiscal 1990 and the continuation of the fiscal 1991 pay plan increase in the 1993 biennium account for the personal services increase, partially offset by the 4 percent personal services reduction applied in the 1993 biennium.

DATA PROCESSING DIVISION

Operating costs decrease due to the net result of: 1) \$2,100 per year for fixed costs increases in rent and payroll fees; 2) a \$4,000 increase in the annual service fee for the National Law Enforcement Teletype Service; 3) a \$52,882 reduction in data network charges; and 4) inflationary adjustments of \$1,900 per year.

Equipment includes \$45,000 in fiscal 1992 for the purchase of a computer room air conditioner in the budget modification, \$7,300 per year for priority purchase and replacement of computers and office equipment, and \$8,700 per year for three additional computer work stations for anticipated new CJIN network users. The cost of the CJIN equipment should be recovered by fees charged to the new users.

Debt service is for payments on personal computers. The computers were purchased in fiscal 1990 and operating expenses for equipment maintenance contracts were reduced by the same amount.

Budget Modification

Modification Type	-----Executive-----			-----Legislature-----		
	FTE FY92	FTE FY93	Total General Fund 92-93	FTE FY92	FTE FY93	Total General Fund 92-93
1) Data Processing Air Cond.	0.0	0.0	\$49,400	0.0	0.0	\$49,400

1) Data Processing Air Conditioner - This modification provides \$49,400 general fund in the 1993 biennium for replacement of the air conditioning system for the Department of Justice computer system at the Helena National Guard Armory.

Funding

Operating costs of the CJIN network are partially supported by the CJIN state special revenue account, which receives revenue from fees charged to user agencies. The balance of the Data Processing Division operation is supported by general fund.

EXTRADITION & TRANSPORTATION OF PRISONERS

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	.00	.00	.00	.00	.00	.00	.00	.00
Operating Expenses	146,868	149,011	193,648	44,637	149,010	193,640	44,630	31.85%
Total Costs	\$146,868	\$149,011	\$193,648	\$44,637	\$149,010	\$193,640	\$44,630	31.85%
Fund Sources								
General Fund	146,868	149,011	193,648	44,637	149,010	193,640	44,630	31.85%
Total Funds	\$146,868	\$149,011	\$193,648	\$44,637	\$149,010	\$193,640	\$44,630	31.85%

Program Description

The Extradition and Transportation of Prisoners program reimburses county sheriffs for allowable expenses associated with transporting prisoners to Montana detention centers and for expenses of extraditing prisoners to Montana.

Budget

The Extradition and Transportation of Prisoners program budget increases nearly 32 percent due to a significant increase in the number of claims and increasing travel costs. Operating costs shown in the table above for fiscal 1990 do not include a supplemental appropriation expenditure of \$44,882. Costs of the program increased dramatically from \$146,855 in fiscal 1988, to \$187,198 in fiscal 1989, and to \$191,751 in fiscal 1990. The 1993 biennium budget is based on actual fiscal 1990 expenditures (including the supplemental) adjusted for inflation (\$1,900 per year), as expenditures are expected to continue at this level. Expenditures during the first six months of fiscal 1991 were consistent with this level.

FORENSIC SCIENCE DIVISION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	17.00	17.00	17.00	.00	17.00	17.00	.00	.00
Personal Services	470,076	685,587	748,043	62,456	685,745	748,148	62,403	59.13%
Operating Expenses	324,235	280,985	316,254	35,269	282,163	317,150	34,987	-2.46%
Equipment	63,983	135,000	110,000	25,000-	60,000	25,000	35,000-	71.92%
Total Costs	\$858,294	\$1,101,572	\$1,174,297	\$72,725	\$1,027,908	\$1,090,298	\$62,390	36.82%
<u>Fund Sources</u>								
General Fund	665,599	873,622	930,630	57,008	814,673	864,061	49,388	39.82%
State Revenue Fund	192,695	227,950	243,667	15,717	213,235	226,237	13,002	26.45%
Total Funds	\$858,294	\$1,101,572	\$1,174,297	\$72,725	\$1,027,908	\$1,090,298	\$62,390	36.82%

Program Description

The Forensic Science program, which includes the State Crime Lab in Missoula and the State Medical Examiner, provides for a statewide system of death investigation, forensic science training, and scientific criminal investigation and analysis for specimens submitted by law enforcement officials, coroners, and state agencies. The division tests firearms, toolmarks, hair, fiber, drugs, blood, body fluids, and tissues. The laboratory also analyzes blood, breath, and urine samples in connection with Driving Under the Influence of Alcohol or Drugs (DUI) and provides the certification, maintenance, and training of all law enforcement personnel on breath testing instruments.

Budget

The Forensic Science Division budget increases from fiscal 1990 to 1992 due to a significant increase in personal services costs and a higher equipment budget.

Personal service costs in the 1993 biennium are nearly \$300,000 higher per year than in fiscal 1990 for three reasons: 1) the division increased salaries for nine forensic scientists by over two grade levels using a market factor pay plan adjustment approved by the Department of Administration; 2) the division experienced a significant vacancy savings rate in fiscal 1990 due to recruitment problems for forensic scientists and a vacancy in the \$90,000 medical examiner's position for nine months in fiscal 1990; and 3) the fiscal 1991 pay plan increase continues into the 1993 biennium.

FORENSIC SCIENCE DIVISION

For the last two biennia, the division has had significant vacancies and turnovers in the forensic scientist positions. In the 1991 biennium, the division upgraded the positions from an average grade 15, step 6 to the equivalent of a grade 17, step 13 in an attempt to resolve recruitment and retention problems. The cost of the increases is approximately \$150,000 per year.

Operating expenses decrease due to the elimination of \$54,000 in renovation costs from the fiscal 1990 base. These costs were for an expansion into the west wing of the State Crime Lab in Missoula, which was authorized by the 1989 legislature. An additional \$9,000 was removed from the operating expense base for a one-time increase in contract services for a pathologist while the chief examiner's position was vacant nine months in fiscal 1990. These decreases are partially offset by increases for: 1) contractual rent for the State Crime Lab of \$9,200 per year; 2) \$20,000 per year for autopsy supplies; 3) \$17,000 per year for maintenance contracts on new lab equipment; 4) \$5,845 per year for computer network service fees; and 5) \$2,800 in fiscal 1992 and \$3,700 in fiscal 1993 in inflationary adjustments.

Equipment includes \$110,000 in fiscal 1992 for the replacement of a gas chromatograph that has reached its recommended useful life and is becoming costly to maintain. An additional \$25,000 in fiscal 1993 is included for the replacement of additional laboratory equipment on a priority basis.

Funding

The program is partially funded by alcoholism treatment state special revenue funds for the laboratory testing and intoxilizer equipment maintenance done by the State Crime Lab for the DUI Enforcement program. These funds also support part of the cost of a DUI specialist forensic scientist position at the lab. The balance of the program is funded by general fund.

DEPARTMENT OF HIGHWAYS

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	1,933.83	1,981.82	1,957.78	24.04-	1,981.82	1,960.08	21.74-	23.95
Personal Services	54,745,130	61,972,749	58,640,187	3,332,562-	61,940,946	58,591,144	3,349,802-	7.11%
Operating Expenses	186,459,548	221,179,259	226,815,381	5,635,122	188,976,793	230,455,302	41,478,509	21.64%
Equipment	6,500,550	6,726,378	6,704,024	22,354-	6,379,930	6,361,430	18,500-	3.13%
Capital Outlay	3,450,074	3,175,900	4,162,400	986,500	3,075,900	4,161,700	1,085,800	20.65%
Grants	204,753	3,244,684	276,000	2,968,684-	944,684	276,000	668,684-	34.80%
Transfers	32,884,364	22,414,124	14,208,404	8,205,720-	7,599,282	17,149,771	9,550,489	-56.79%
Debt Service	13,963	49,269	14,219	35,050-	49,269	14,219	35,050-	1.83%
Total Costs	\$284,258,382	\$318,762,363	\$310,820,615	\$7,941,748-	\$268,966,804	\$317,009,566	\$48,042,762	9.34%
Fund Sources								
General Fund	0	589,706	0	589,706-	409,762	0	409,762-	.00%
State Revenue Fund	173,260,902	170,384,331	151,834,729	18,549,602-	135,173,698	156,937,352	21,763,654	-12.37%
Federal Revenue Fund	97,097,931	133,349,719	144,847,268	11,497,549	119,115,999	146,228,428	27,112,429	49.18%
Proprietary Fund	13,899,549	14,438,607	14,138,618	299,989-	14,267,345	13,843,786	423,559-	1.72%
Total Funds	\$284,258,382	\$318,762,363	\$310,820,615	\$7,941,748-	\$268,966,804	\$317,009,566	\$48,042,762	9.34%

Agency Description

The Department of Highways is primarily responsible for the planning, design, construction, maintenance, and protection of Montana's highway and road system to provide safe, efficient, and cost effective services to the traveling public.

Department of Transportation

The 1991 legislature passed Senate Bill 164, which adopted the Executive Budget proposal to transfer the Transportation and Aeronautics programs from the Department of Commerce and the Motor Fuels Tax Division from the Department of Revenue, and the entire Department of Highways, to create a Department of Transportation. The new Department will be created on July 1, 1991, and will be located in the current Highways building, with the exception of the Aeronautics Division, which will remain in its current location. House Bill 2 includes a modified budget line-item of \$135,189 state special revenue to implement the transfer.

The new department will be responsible for state transportation policy and planning. It will have budget of \$635.7 million for the 1993 biennium and 2,001.77 FTE in fiscal 1992.

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The "Legislature" columns in this report reflect the existing organization structure of the department, whereas the "Executive" columns in the tables reflect the new organization. The program narrative and tables for the Motor Fuels Tax Division are in the Department of Revenue discussion and the Transportation and Aeronautics Divisions are in the Department of Commerce discussion.

Language

"The department is directed to submit to the 1993 legislature a construction work plan for the 1995 biennium that is detailed by year and project. This work plan must specify, by road system or project area, proposed projects on which \$1 million or more would be spent during the 1995 biennium and an aggregate cost for projects with anticipated expenditures of less than \$1 million. Costs must be detailed by year and project."

"The department may adjust appropriations and FTE in the Construction, Interfund Transfers, and Maintenance programs between fiscal years to reflect actual expenditures related to the construction work plan and maintenance activities."

"The department may adjust appropriations in the Construction program between fund types, provided that the adjustment does not exceed 10% of the total appropriation established by the legislature for the construction program. All transfers between fund types must be fully explained and justified on budget documents submitted to the Office of the Budget and Program Planning, and all fund transfers of over \$1 million in any 30-day period must be communicated to the Legislative Finance Committee in a written report."

The transfer authority language presented above is unique in state government, recognizing the difficulty of estimating the timing of contract payments and final funding mix of highway construction projects. It allows the department flexibility to move appropriation authority between fund sources and fiscal years to adjust for reasonable variations in the approved construction work plan. Without the language, the department would be required to submit budget amendments and supplemental requests to move the funds and appropriations as needed.

Similar language has been in the appropriations bill for the last two biennia. The department used the transfer authority language in the 1991 biennium to exceed the 100 percent state funded RTF appropriation, increasing it from \$66 million as approved by the 1989 legislature to over \$90 million, exceeding the original state special revenue appropriation and construction plan by \$24 million. This was done by reducing federal authority. The 10 percent limitation on fund transfers contained in the language above would limit fund transfers to \$41.9 million in the 1993 biennium.

Budget

The Department of Highways budget increases due primarily to a significant increase in the biennial construction program and eight budget modifications totaling \$3.5 million for the biennium.

There is an \$18.7 million decrease in the Interfund Transfers program from fiscal 1990 to 1992. This amount is appropriation authority for a fund transfer between accounts. When this non-operational accounting adjustment is removed, the actual agency

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increase is 16.7 percent. Most of the increase is in the Construction program, which increases 21.5 percent (\$36.5 million) due to an expansion of the highways construction plan. The remaining programs account for a net increase of 3.3 percent (\$8.8 million) due to inflationary adjustments and increases in personal services.

The increase in the Construction program reflects a significant increase in the level of planned highway construction projects, resulting from an anticipated increase in federal aid funding of over 20 percent. Montana will receive a base level of federal aid of \$120 million per year during the 1993 biennium, in contrast to the \$100 million funding level that has occurred for the past several years. Additional federal aid funds of \$15 million are also anticipated each year for special projects. The 1993 biennium construction plan is discussed in more detail in the narrative for the Construction program.

Personal services increase due to: 1) significant vacancy savings in fiscal 1990; 2) the fiscal 1991 pay plan increase that continues in the 1993 biennium; 3) the addition of 22.95 FTE in fiscal 1992 and 25.25 FTE in fiscal 1993 in the Construction program for the increased construction workload; and 4) an increase in workers' compensation rates.

The legislature implemented a 4 percent (\$4.9 million) across-the-board reduction in funding for the total agency personal services in fiscal 1992 and 1993. Funding sources were reduced in proportion to the total personal services at the program level.

The pay plan increase for fiscal 1992 and fiscal 1993 (House Bill 509) is not included in the table above or in the program tables. In Volume I of this report in the "Pay Plan" section is a description of the pay plan increase and a table showing allocations to each agency.

Operating expenses increase primarily due to costs associated with the increased highways construction work plan. These costs include contractor payments and payments to engineering consultants for project design. The remaining increase is largely due to the eight budget modifications shown below and inflationary adjustments for gasoline and oil-based products.

Over 84 percent of the equipment budget is for replacement of construction equipment and vehicles in the Equipment and State Motor Pool programs.

Capital outlay is for right-of-way land purchases and for purchase of land for maintenance storage and sand lots.

Grant funds are for grants to counties for urban transportation planning. They are continued at the fiscal 1991 appropriated level.

Transfers shown in the main table are appropriation authority for fund transfers from the highways special revenue account to the reconstruction trust fund account, as explained in the narrative for the Interfund Transfers program.

Debt service funds are for the lease of a telephone system in the Construction program and for the administrative expenses of the debt service on building and revenue bond issues.

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Budget Modifications

Modification Type	-----Executive-----			-----Legislative-----				
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) Road Reporting System				\$ 62,108				\$26,380
2) Map Digitizing				240,000*				240,000
3) Kalispell By-Pass Study				150,000*				150,000
4) D.O.T. Organization Cost	1.0	1.0		135,189	1.0	1.0		135,189
5) City Park Rest Areas				400,000				400,000
6) Monitoring Fuel Tanks				2,219,600				2,219,600
7) Automated Weigh Stations				312,520				312,520
8) G.V.W. Officer Training				55,330				55,330
Total	1.0	1.0	\$0	\$3,574,747	1.0	1.0	\$0	\$3,539,019

*Included in the revised Executive Budget, but not shown in the Executive column in the main table.

The budget modifications listed above are discussed in more detail in the program narratives.

Funding

State special revenue funds decrease, reflecting a significant decrease in the level of 100 percent state funded Reconstruction Trust Fund (RTF) construction projects compared to the 1991 biennium and an increase of 20 percent state-match federal aid construction. In addition to providing funding for RTF construction and the state match for federal aid construction, state special revenue accounts provide funding for the Maintenance program, the GWV program, Stores program, and administrative costs of the department.

The increase in federal funding reflects the anticipated \$20 million per year increase in obligation authority for federal aid construction, as well as the inclusion of over \$15 million per year for contingency federal fund availability and the carryover of approximately \$10 million in federal obligation authority from prior years. The federal revenues are primarily from Federal Highway Surface Transportation Act funds, which require an average 80/20 percent federal/state match for federal aid highway construction projects. Up to 1.5 percent of federal highway funds can be used for highway planning and research.

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Proprietary funds are for the Equipment and State Motor Pool programs.

State special revenue funds include the highways special revenue account, the RTF account, and the bond proceeds account. The primary account is the highways special revenue account, which receives most of its revenues from user fees, including gas and diesel fuel taxes, and gross vehicle weight fees, licenses, and permits. The RTF account receives revenues from coal severance tax collections, as well as transfers from the bond proceeds and highways special revenue accounts. The bond proceeds account received revenues from a \$150 million revenue bond issue in the 1980's. This was the primary source of RTF project funding until fiscal 1991, when the funds were depleted.

Table 1 is a cash flow analysis of the combined highways special revenue, RTF, and bond proceeds accounts for the 1991 and 1993 bienniums. Expenditures in the 1993 biennium reflect House Bill 2 appropriations and House Bill 5 appropriations, the pay plan estimate, and statutory appropriations.

Table 1
Combined Highways State Special Revenue Accounts
Estimated Cash Flow
Fiscal years 1990 through 1993

	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>
Beginning Cash Balance	\$145,903,788	\$129,525,790	\$90,661,372	\$63,859,752
Revenues				
Gasoline Tax	\$ 82,282,766	\$ 80,919,000	\$ 80,432,000	\$ 79,447,000
Diesel Tax	23,821,548	23,984,000	24,637,000	25,567,000
GVW tax	26,426,906	24,042,000	25,530,575	25,530,575
Coal Tax	8,144,464	5,813,943	4,630,420	4,610,289
Bond Interest Earnings	3,925,575	710,000	0	0
Stores	13,605,350	14,873,441	15,460,726	14,901,886
Other	4,998,444	1,250,000	1,250,000	1,250,000
Total Revenues	\$163,205,053	\$151,592,384	\$151,940,721	\$151,306,750

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Expenditures					
Highways Budget					
General Operations	\$ 6,075,639	\$ 6,454,385	\$ 6,843,350	\$ 6,475,572	
Construction					
Federal Aid Construction	29,744,625	29,890,450	44,715,519	45,192,961	
RTF Construction	41,025,782	42,003,058	18,738,806	21,647,572	
Preconstruction	5,028,133	6,260,433	0	0	
Maintenance	44,480,936	46,669,303	48,053,895	47,838,664	
Stores	13,209,039	13,559,768	15,460,726	14,901,886	
GW	3,370,452	3,802,633	3,814,029	3,730,926	
Pay Plan Estimate	0	0	2,274,000	4,723,000	
FY 91 Supplementals	0	2,873,866	0	0	
FY 91 Budget Amendments	0	428,937	0	0	
Bond Princ & Interest	10,566,903	10,647,833	10,655,333	18,476,333	
Local Governments	14,075,000	14,075,000	14,075,000	14,075,000	
Dept of Justice	\$10,824,398	\$10,994,504	\$11,344,195	\$11,043,991	
FY 91 Supplementals	0	497,100	0	0	
Dept Of Revenue (D.O.T.)	696,250	776,974	644,113	641,182	
Dept of Commerce	71,250	71,250	71,250	71,250	
Highway Traffic Safety	60,950	76,030	75,100	74,686	
Dept Fish, Wildlife, & Parks	0	168,000	0	0	
Long-Range Bldg	457,942	1,207,278	1,977,025	0	
Adjustment	(104,248)				
Total Disbursements	\$179,583,051	\$190,456,802	\$178,742,341	\$188,893,023	
Expenses in Excess of Rev.	(\$16,377,998)	(\$38,864,418)	(\$26,801,620)	(\$37,586,273)	
Ending Cash Balance	\$129,525,790	\$90,661,372	\$63,859,752	\$26,273,479	

The RTF program was enacted in 1983, enabling the department to undertake 100 percent state funded primary system improvement projects. Funding for the RTF comes from 12 percent of total coal severance tax collections, bond proceeds, and the highways special revenue account. A \$150 million bond issue in the 1980's provided the primary source of RTF funding until fiscal 1991, when the bond proceeds were fully expended. Until fiscal 1991, the fund balance in the highways special revenue account continued to grow. Beginning in fiscal 1991, the highways special revenue account became the primary source for RTF projects, and the fund balance began to fall. The combined accounts balance is projected to be reduced from \$145.9 million to \$90.6 million during the 1991 biennium and

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fall an additional \$64.3 million in the 1993 biennium, leaving a fund balance of only \$26.3 million on July 1, 1993. If current spending levels continue through the 1995 biennium, the account will have a negative cash balance in fiscal 1994. Additional funding will be required to maintain current level services beyond the 1993 biennium or significant program reductions will be required.

Other Legislation

In addition to the appropriations in House Bill 2 that are included in the table above, the Department of Highways received an appropriation in one other bill, as discussed below. This appropriation is not included in the main table.

Bill No./Description	-----Fiscal 1992-----		-----Fiscal 1993-----	
	FTE	General Fund	FTE	General Fund
HB 77 - Highway Patrol Retirement	0.0	\$345,000	0.0	\$233,000
		\$345,000		\$233,000

HB 77 - Highway Patrol Retirement Benefits - House Bill 77 increased the retirement benefits payable in the Highway Patrol retirement system, and appropriated general fund money as well as an increase in the allocation of highways special revenue funds to fund the benefit increase. The general fund appropriation of \$578,000 was inadvertently appropriated to the Department of Highways to administer the retirement program, but should have been appropriated to the Department of Administration and the Department of Justice. At the time of printing of this report, it was still unresolved as to the action that would be taken to correct this accounting error.

Other legislation which impact the department's budget are discussed below.

HB 309 - Off-Highway Vehicle Program - This bill allocated 1/8 of 1 percent of gasoline license tax revenues to off-highway vehicle programs. These funds previously went toward highway construction and will result in a reduction in highways revenues of \$219,000 in the 1993 biennium.

SB 77 - Gasohol Tax Incentives - Senate Bill 77 extended the termination of the current tax incentive for the production of alcohol for blending with gasoline until the year 2001, increased the maximum total incentive payments in any consecutive 12-month period from \$1.25 million to \$6.0 million, and increased the maximum incentives that a distributor can receive from \$1.0 million to \$1.5 million. While no impact on state highways revenues is expected in the 1993 biennium, the long range impact on highways revenues may result in reduced state revenues.

SB 122 - Highway Reconstruction Trust Program - The Reconstruction Trust program was created by the 1983 legislature, authorizing a ten-year plan to improve Montana's primary highway system. An average \$30 million per year has been expended for 100 percent state

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funded highway projects. A coal tax allocation of 12 percent to highways construction was used to partially fund the program. The program was due to sunset at the end of fiscal 1993. Senate Bill 122 extended the Highway Reconstruction Trust program through fiscal 2003 and continued the 12 percent coal tax allocation.

SB 164 - Department of Transportation - As discussed above, Senate Bill 164 created a new Department of Transportation from the existing Department of Highways, the Motor Fuel Tax Division of the Department of Revenue, and the Aeronautics and Transportation Divisions of the Department of Commerce.

GENERAL OPERATIONS PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	168.93	169.93	169.93	.00	169.93	169.93	.00	1.00
Personal Services	4,421,226	5,026,391	4,819,215	207,176-	5,023,028	4,815,987	207,041-	9.00%
Operating Expenses	2,800,145	3,438,972	3,568,547	129,575	3,218,308	3,124,524	93,784-	27.44%
Equipment	264,208	306,672	306,672	0	234,572	234,572	0	16.07%
Grants	204,753	230,000	276,000	46,000	230,000	276,000	46,000	34.80%
Debt Service	11,149	46,200	11,150	35,050-	46,200	11,150	35,050-	.01%
Total Costs	\$7,701,481	\$9,048,235	\$8,981,584	\$66,651-	\$8,752,108	\$8,462,233	\$289,875-	16.62%
<u>Fund Sources</u>								
State Revenue Fund	6,129,639	7,000,955	6,843,350	157,605-	6,755,871	6,475,572	280,299-	11.64%
Federal Revenue Fund	1,571,842	2,047,280	2,138,234	90,954	1,996,237	1,986,661	9,576-	36.03%
Total Funds	\$7,701,481	\$9,048,235	\$8,981,584	\$66,651-	\$8,752,108	\$8,462,233	\$289,875-	16.62%

Program Description

The General Operations program provides the administrative support services for the department, including general administration and management, accounting and budgeting, planning and program development, research, legal services, computer systems support, and personnel.

Language

The department needs a study to determine if current user fee levels (fuel taxes and GW fees) for each class of vehicle are appropriate. Since GW fees have not been revised in 22 years and have declined significantly in comparison to other user fees, they may not adequately reflect use and benefit for vehicles subject to the fees. Other states have experienced costs of \$150,000 for conducting cost responsibility studies. The following language requires the Department of Highways to conduct a cost responsibility study for the state highway system.

"The department is directed to conduct a cost responsibility study to determine the appropriate ratio of highway user fees based on road wear caused by each type of user. The department shall provide a report of study results and a recommended fee structure to the Legislative Finance Committee by June 1, 1992."

GENERAL OPERATIONS PROGRAM

Legislative Intent

The General Operations program budget includes \$8,096 per year for warrant processing fees, which is to be paid in full to the State Auditor's office as reimbursement for warrant processing costs.

Budget

The General Operations budget increases due to the four budget modifications discussed below, an increase in personal services costs, the approval of several special projects, new computer network fees, and an expansion of the agency computer system.

Personal services increase due to: 1) vacancy savings in fiscal 1990; 2) the fiscal 1991 pay plan increase that continues into the 1993 biennium; 3) an increase in workers' compensation rates; and 4) the addition of 1.0 FTE in Budget Modification #4.

Operating expenses increase due to: 1) licensing and software development costs for improvements in the department's Management and Budget System; 2) consultant costs for special studies, including urban transportation planning for Laurel and Miles City and an update of highway functional classifications; 3) Department of Administration network fees for support of the agency computer network; and 4) the four budget modifications discussed below. An offsetting decrease is in deflationary adjustments for Department of Administration computer processing charges in the 1993 biennium. Fiscal 1992 operating costs are higher than fiscal 1993 due to a biennial appropriation of \$71,028 in fiscal 1992 for audit fees, lower computer processing costs in fiscal 1993, and a \$70,000 highway classification study in fiscal 1992 only.

Equipment includes: 1) \$3,144 for personal computers; 2) \$15,800 for safety and educational equipment, including training videos, books, and projection equipment; 3) \$58,400 for replacement office equipment; 4) \$27,000 for photographic equipment, which includes \$25,000 for a replacement Log Etronic Printer; 5) \$60,000 for a new pavement deflection measuring device; 6) \$240,000 for expansion of the agency network to district offices; and 7) \$136,900 for traffic recording equipment, including the installation of 24 telemetry sites. The increased communications costs associated with installation of the new traffic recording equipment are discussed in budget modification #1 below.

Grant funds are for grants to County Planning Boards for urban transportation and rural technical assistance planning, which are continued at the fiscal 1991 appropriated level.

Debt service funds are for the administrative expenses of the debt service on building and revenue bond issues.

Section 15-70-101, MCA, appropriates \$14 million highways special revenue for distribution to cities and counties annually. These funds, which are distributed by the General Operations program, are not shown in the main table because they are statutory appropriations.

GENERAL OPERATIONS PROGRAM

Budget Modifications

Modification Type	-----Executive-----		-----Legislative-----	
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) Road Reporting System				\$ 26,380
2) Map Digitizing				240,000
3) Kalispell By-Pass Study				150,000
4) D.O.T. Organization Cost	1.00	1.00	—	135,189
Total	1.00	1.00	\$0	\$551,569

* Included in revised Executive Budget, but not shown in the Executive column in the main table.

1) Road Reporting System - This modification provides funds for increased telephone equipment charges from the upgrade of permanent traffic monitoring sites on the interstate and primary systems with vehicle classification equipment that provides the capability to transmit the data automatically through telephone lines. This information is used by the department in planning future highway needs. The new equipment required for the monitoring sites is included in current level equipment costs.

2) Map Digitizing - This project will convert old linen base maps into digital vector format in order to produce publishable quality maps on Computer-Aided Design and Drafting (CADD) equipment. This is a one-time expense.

3) Kalispell By-Pass Study - This project utilizes special federal highway demonstration funds to hire a consultant to determine the feasibility and location of a by-pass route around Kalispell. This is a one-time expense.

4) Senate Bill 164 - Department of Transportation Organization Costs - This modification adds 1.0 FTE and \$135,189 highways special revenue funds for organization costs to create the Department of Transportation, in accordance with Senate Bill 164. The 1.0 FTE is a permanent position, transferred from the Department of Revenue. There are \$75,000 of organization costs in fiscal 1992 that are a one-time expense.

Funding

State special revenue funds are from the highways special revenue account. In addition, the program receives 1.5 percent of the total federal aid funds from the Federal Highway Surface Transportation Act for highways planning and research activities. Other federal funds are provided by the Federal Minority and Disadvantaged Business Enterprise program.

CONSTRUCTION PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	872.99	872.99	895.94	22.95	872.99	898.24	25.25	22.95
Personal Services	23,940,644	26,956,579	26,383,875	572,704-	26,887,477	26,299,583	587,894-	10.21%
Operating Expenses	142,112,205	169,177,826	175,119,006	5,941,180	137,196,251	180,060,563	42,864,312	23.23%
Equipment	364,072	713,409	713,409	0	774,285	774,285	0	95.95%
Capital Outlay	3,238,933	2,837,500	3,944,000	1,106,500	2,837,500	3,944,800	1,107,300	21.77%
Debt Service	2,814	3,069	3,069	0	3,069	3,069	0	9.06%
Total Costs	\$169,658,668	\$199,688,383	\$206,163,359	\$6,474,976	\$167,698,582	\$211,082,300	\$43,383,718	21.52%
Fund Sources								
State Revenue Fund	74,132,579	69,846,452	63,454,325	6,392,127-	51,537,306	66,840,533	15,303,227	-14.41%
Federal Revenue Fund	95,526,089	129,841,931	142,709,034	12,867,103	116,161,276	144,241,767	28,080,491	49.39%
Total Funds	\$169,658,668	\$199,688,383	\$206,163,359	\$6,474,976	\$167,698,582	\$211,082,300	\$43,383,718	21.52%

Program Description

The Construction program (Engineering Division) is responsible for construction project planning and development from the time a project is included in the long-range work plan through the actual construction of the project. The program's responsibilities include such tasks as project design, public hearings, right-of-way acquisitions, issuing contract bids, awarding contracts, and administering construction contracts. Contract administration is the supervision of highway construction projects from the time the contract is awarded to a private contractor until the project is completed and the work approved as meeting established construction standards. The Construction program consists of the combined Construction and Preconstruction programs as presented in the 1991 biennium budget.

Legislative Intent

The Construction program budget includes over \$15 million for the use of engineering consultants for project design due to the increased workload of a larger federal aid program in the 1993 biennium. Use of consultants can cost up to 40 percent more than using department design staff. The legislature encourages the department to utilize the most economical means available to complete project design work, and to transfer funds from consultants (operating expenses) and add FTE as necessary to accomplish the work in the most efficient way. Any additional FTE over the number shown in the table above may not be presented in the current level budget for the 1995 biennium.

CONSTRUCTION PROGRAM

The Construction program consists of the combined Construction and Preconstruction programs for budget purposes. The legislature concurs in combining the programs for budget purposes but directs that separate accounting is to be continued on the Statewide Budget and Accounting System (SBAS) for Construction and Preconstruction activities.

Budget

1993 Biennium Construction Plan - The Construction program budget increases 21.5 percent from fiscal 1990 to 1992 due to a significant increase in the level of planned construction projects, resulting from a more than 20 percent increase in federal aid funding. For the past several years, Montana has experienced base level federal aid funding of approximately \$100 million per year, with additional federal funding for special projects. In late 1990, the Federal Highway Administration increased federal aid funding for the states significantly to spend down the federal highways trust fund that had amassed a large surplus due to restrictions on spending imposed by the provisions of the Gramm-Rudman Deficit Reduction Act. As a result, Montana will receive \$120 million per year for the next three to five years during the spend-down of the federal trust fund. Table 2 below shows the increase in the construction program compared to the 1991 biennium.

Table 2
Contractor Payments
Construction Plan Comparison
1991 and 1993 Bienniums
(In Millions)

<u>Construction Plan</u>	<u>-Appropriated- 1991 Biennium</u>	<u>-Appropriated- 1993 Biennium</u>	<u>Inc/(Dec)</u>
Federal Aid Construction	\$196.0	\$287.9	\$91.9
RTF Construction	<u>66.3</u>	<u>40.4</u>	<u>(25.9)</u>
Total	\$262.3	\$328.3	\$66.0
<u>Projected Actual Costs</u>			
Federal Aid Construction	\$171.6	\$287.9	\$116.3
RTF Construction	<u>90.7*</u>	<u>40.4</u>	<u>(50.3)</u>
Total	\$262.3	\$328.3	\$66.0

* 1991 biennium projection provided by the Department of Highways.

CONSTRUCTION PROGRAM

As Table 2 shows, there is a net increase of \$66 million in the 1993 biennium construction plan compared to the 1991 biennium construction plan approved by the legislature. The table does not include adjustments to the 1991 biennium construction plan made by supplemental appropriations and budget amendments.

Contingency Budgeting - The budget includes an additional \$15 million for contingency funding, including "grab bag" funds often made available near the end of each fiscal year and other special projects funds. The department has consistently received this additional funding in the last several years and has either been able to obligate the available funds within existing spending authority or has obtained additional authority through the budget amendment or supplemental appropriation process. Since the department anticipates these contingency funds will be available in the 1993 biennium, they are included in the budget.

Budget Details - Personal services increase for the following reasons: 1) the addition of 22.95 FTE in fiscal 1992 and 25.25 FTE in fiscal 1993 as a result of the increased construction plan, at a cost of \$979,000 in the 1993 biennium; 2) a significant vacancy savings in fiscal 1990 due to a large turnover in personnel; 3) the fiscal 1991 pay plan increase that continues in the 1993 biennium; 4) an increase in overtime due to the increased workload; and 5) an increase in workers' compensation rates. The additional FTE (which include engineering technicians, materials laboratory aides, and survey aides) supplement the current construction staff in administering construction contracts let to private contractors.

Operating expenses increase to reflect the increase in contractor payments for construction projects and in other operating costs related to the construction plan increase. Contractor payments for planned construction projects are \$162 million in fiscal 1992 and \$166 million in fiscal 1993. The remaining operating costs are continued at fiscal 1990 expenditure levels with only minor adjustments.

Equipment is budgeted at \$1,487,694 for the biennium. Equipment needs identified by the department include Computer-Aided Design and Drafting (CADD) System upgrades (\$143,000), single-user computers, a new aerial camera (\$275,000), computers, communications equipment, laboratory equipment, and engineering equipment.

Capital outlay, which is for the purchase of right-of-way land for projects scheduled to be let to contract, is increased due to the increase in the federal aid construction program.

Debt service is for a leased telephone system.

Extension of RTF Program - The RTF program was created by the 1983 legislature, authorizing a ten-year plan to improve Montana's primary highway system with a 100 percent state-funded program. Up to \$40 million per year was authorized to rebuild the system, in addition to the existing federal aid program. Since 1983, expenditures in the RTF program have averaged approximately \$30 million per year due to funding limitations. Funding for both the state match for federal aid and a fully funded RTF program was not available. The program was scheduled to sunset at the end of the 1993 biennium, including termination of the 12 percent of coal severance tax earmarked for the program. Senate Bill 122 extends the program beyond fiscal 1993 and continues the coal severance tax allocation.

CONSTRUCTION PROGRAM

Budget Modification

<u>Modification Type</u>	-----Executive-----		-----Legislature-----	
	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>
1) City Park Rest Areas	0.0	0.0	0.0	0.0
		\$0		\$0
		Total 92-93		Total 92-93
		\$400,000		\$400,000

1) City Park Rest Areas - This modification includes \$400,000 highways state special revenue fund in the 1993 biennium to provide grants to local communities to upgrade city parks located along primary highways into highway rest areas. The community would own, manage, and maintain these city parks/rest areas. An estimated four sites per year would be completed. Eighteen sites have been identified for possible conversion to highway rest areas.

Funding

State special revenue includes highway reconstruction trust funds of \$40.4 million during the biennium for RTF construction projects, with the balance from the highways special revenue account. The highways special revenue account funds 100 percent of administrative overhead costs for the program and provides an average 20 percent match for approved federal aid projects, including preconstruction and contract administration costs. Federal aid funds are from the federal Highway Surface Transportation Act, which provide the average 80 percent federal match for construction projects.

MAINTENANCE PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	654.88	654.88	654.88	.00	654.88	654.88	.00	.00
Personal Services	19,968,558	21,543,409	20,672,528	870,881-	21,574,395	20,702,274	872,121-	3.53%
Operating Expenses	23,743,262	26,783,954	26,975,753	191,799	27,029,231	26,830,776	198,455-	13.61%
Equipment	286,351	187,214	187,214	0	187,214	187,214	0	-34.62%
Capital Outlay	131,784	218,400	218,400	0	118,400	118,400	0	65.73%
Total Costs	\$44,129,955	\$48,732,977	\$48,053,895	\$679,082-	\$48,909,240	\$47,838,664	\$1,070,576-	8.89%
Fund Sources								
State Revenue Fund	44,129,955	48,732,977	48,053,895	679,082-	48,909,240	47,838,664	1,070,576-	8.89%
Total Funds	\$44,129,955	\$48,732,977	\$48,053,895	\$679,082-	\$48,909,240	\$47,838,664	\$1,070,576-	8.89%

Program Description

The Maintenance program is responsible for preserving and maintaining the state highway system and its related facilities. Major maintenance activities include the patching, repair, and periodic sealing of highway surfaces, snow removal, and sanding.

Budget

The Maintenance program current level budget increases primarily due to increased personal services costs, increased equipment rental and weed control allocations, and inflationary adjustments.

Personal services increase primarily due to vacancy savings in fiscal 1990 and the fiscal 1991 pay plan increase that continues in the 1993 biennium.

Operating expenses increase due to: 1) an increase of \$512,000 in fiscal 1992 and \$854,000 in fiscal 1993 of the allocation by the Equipment Bureau (proprietary fund) for equipment rental; 2) an increase of \$265,000 per year for county weed control reimbursement; 3) a budget modification for monitoring fuel tanks discussed below; and 4) inflationary adjustments of \$1,428,000 in fiscal 1992 and \$938,000 in fiscal 1993.

Equipment includes \$154,282 for communications equipment, \$22,369 for office equipment replacement, \$188,227 for shop and industrial equipment, \$5,200 for computers, and \$4,350 for photographic and other miscellaneous equipment.

MAINTENANCE PROGRAM

Capital outlay includes \$180,000 per year for purchases of land for gravel production and storage sites, and \$38,400 per year for tank and building improvements.

Budget Modification

Modification Type	-----Executive-----		-----Legislature-----	
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) Monitoring Fuel Tanks	0.0	0.0	\$0	\$2,219,600
			0.0	0.0
			\$0	\$2,219,600

1) Monitoring Fuel Tanks - This modification includes \$2,219,600 highways state special revenue fund in the 1993 biennium to upgrade existing Department of Highways and Highway Patrol Division underground fuel storage tanks with cathodic protection and leak detection devices to comply with new federal regulations mandated by the Environmental Protection Agency. The upgrade program began in the 1993 biennium and will continue in future biennia.

Funding

The Maintenance program is funded entirely by highways special revenue funds.

STATE MOTOR POOL

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
FTE	5.00	5.00	5.00	.00	5.00	5.00	.00	.00
Personal Services	128,901	139,648	134,112	5,536-	139,684	134,147	5,537-	4.04%
Operating Expenses	221,925	270,344	251,979	18,365-	269,198	241,929	27,269-	13.54%
Equipment	666,403	362,250	362,250	0	218,000	218,000	0	-45.64%
Total Costs	\$1,017,229	\$772,242	\$748,341	\$23,901-	\$626,882	\$594,076	\$32,806-	-26.43%
<u>Fund Sources</u>								
Proprietary Fund	1,017,229	772,242	748,341	23,901-	626,882	594,076	32,806-	-26.43%
Total Funds	\$1,017,229	\$772,242	\$748,341	\$23,901-	\$626,882	\$594,076	\$32,806-	-26.43%

Program Description

The State Motor Pool operates and maintains a fleet of vehicles available to all state offices and employees in the Helena area to conduct official state business.

Budget

The decrease in the equipment budget is the major reason for the decrease in the State Motor Pool budget. The equipment budget for the 1993 biennium allows the purchase of 31 vehicles in fiscal 1992 and 18 in fiscal 1993. In the 1991 biennium, the Motor Pool program had an equipment budget that allowed for the purchase of 129 vehicles, which was 72 percent of their vehicle fleet. This included the purchase of new vehicles to increase the fleet size from 158 to the present 180 vehicles.

Personal services increase due to the fiscal 1991 pay plan increase that continues in the 1993 biennium and position upgrades.

Operating expenses increase 4.0 percent due to minor increases in fixed cost allocations, increases in shop supplies of \$4,600 per year, and inflationary adjustments (primarily for gasoline) of \$25,412 in fiscal 1992 and \$15,582 in fiscal 1993.

Funding

Funding is from the motor pool proprietary account, which receives revenues from vehicle rentals.

EQUIPMENT PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	121.00	121.00	121.00	.00	121.00	121.00	.00	.00
Personal Services	3,549,330	3,886,661	3,711,995	174,666-	3,893,131	3,718,206	174,925-	4.58%
Operating Expenses	4,430,069	4,791,916	4,772,623	19,293-	4,776,868	4,625,845	151,023-	7.73%
Equipment	4,902,921	4,905,659	4,905,659	0	4,905,659	4,905,659	0	.06%
Total Costs	\$12,882,320	\$13,584,236	\$13,390,277	\$193,959-	\$13,575,658	\$13,249,710	\$325,948-	3.94%
Fund Sources								
Proprietary Fund	12,882,320	13,584,236	13,390,277	193,959-	13,575,658	13,249,710	325,948-	3.94%
Total Funds	\$12,882,320	\$13,584,236	\$13,390,277	\$193,959-	\$13,575,658	\$13,249,710	\$325,948-	3.94%

Program Description

The Equipment program is responsible for the purchase, distribution, and maintenance of all highway equipment and vehicles necessary to meet the department's construction, maintenance, and Gross Vehicle Weight enforcement needs. The equipment, which operates under a proprietary fund, is rented to the other programs within the Department of Highways.

Budget

Personal services increase due to vacancy savings in fiscal 1990 and the fiscal 1991 pay plan increase which continues in the 1993 biennium.

Operating expenses increase due to inflationary adjustments, primarily in fuel costs, which add \$588,000 for the biennium.

Equipment allows for on-going replacement of the department's equipment fleet.

Funding

The Equipment program is funded from the highway equipment proprietary account, which receives revenues from rental of highway equipment to other department programs. The primary users are the Construction and Maintenance programs.

INTERFUND TRANSFERS PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	.00	.00	.00	.00	.00	.00	.00	.00
Transfers	32,884,364	22,404,124	14,208,404	8,195,720-	7,589,282	17,149,771	9,560,489	-56.79%
Total Costs	\$32,884,364	\$22,404,124	\$14,208,404	\$8,195,720-	\$7,589,282	\$17,149,771	\$9,560,489	-56.79%
Fund Sources								
State Revenue Fund	32,884,364	22,404,124	14,208,404	8,195,720-	7,589,282	17,149,771	9,560,489	-56.79%
Total Funds	\$32,884,364	\$22,404,124	\$14,208,404	\$8,195,720-	\$7,589,282	\$17,149,771	\$9,560,489	-56.79%

Program Description

The Interfund Transfers program provides appropriation authority for the transfer of funds between accounting entities and distribution to the sinking fund for the retirement of bonds.

Budget

The Interfund Transfers budget includes authority to transfer \$31,358,175 during the 1993 biennium from the highways state special revenue account to the RTF account for 100 percent state funded construction projects. The transfer budget represents the amount required in the RTF account to fund the remaining cost of RTF projects after expenditure of coal severance tax revenues that are deposited directly in the account. The decrease in program transfer authority reflects an anticipated decrease in RTF projects in the 1993 biennium.

Debt service transfers from this program on highway construction and building bond issues will be \$10,655,333 in fiscal 1992 and \$18,476,333 in fiscal 1993. These payments are not included in current level because they are statutorily appropriated in Section 17-7-502(4), MCA.

Funding

The fund transfers in this program are entirely from the highways special revenue account.

STORES INVENTORY

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	.00	.00	.00	.00	.00	.00	.00	.00
Operating Expenses	12,613,907	15,114,045	15,460,726	346,681	15,086,030	14,901,886	184,144-	22.57%
Total Costs	\$12,613,907	\$15,114,045	\$15,460,726	\$346,681	\$15,086,030	\$14,901,886	\$184,144-	22.57%
Fund Sources								
State Revenue Fund	12,613,907	15,114,045	15,460,726	346,681	15,086,030	14,901,886	184,144-	22.57%
Total Funds	\$12,613,907	\$15,114,045	\$15,460,726	\$346,681	\$15,086,030	\$14,901,886	\$184,144-	22.57%

Program Description

The Stores Inventory program purchases and distributes commodities (such as office and construction supplies) and bulk items (such as sand, road oil, and gasoline) used by other highway department programs. Stores operations are maintained in Helena and in each of the field districts. The Helena stores' facility services the department headquarters and shop facility and also acts as the central receiving and distribution center for all quantity stores commodities.

Budget

The Stores Inventory budget increases due to: 1) direct purchase of gasoline by the Montana Highway Patrol from the Department of Highways Stores Inventory (\$230,000 per year -- the Highway Patrol previously had gas inventories of its own); 2) an increased allocation by the Equipment Bureau for equipment rental (\$127,000 in fiscal 1992 and \$156,000 in fiscal 1993); 3) an increase for the purchase of sand (\$996,800 per year); and 4) inflationary adjustments of \$1,630,000 in fiscal 1992 and \$1,045,000 in fiscal 1993. The increase for sand procurement is due to a shift in department policy toward more purchase of sand than in-house sand production, necessitated by reduced sand sources and more stringent environmental provisions regarding dust emission. Inflationary increases are almost entirely attributable to gasoline and oil based product procurement. These increases are partially offset by miscellaneous reductions of \$139,900 per year for other commodities and services. The total amount budgeted for this program reflects the supply needs included in the budgets for user programs.

Funding

The program is funded from the highways special revenue account and receives reimbursement from other department programs which procure these commodities. The accounting procedure used for Stores Inventory results in a double appropriation for the agency.

GROSS VEHICLE WEIGHT

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	111.03	111.03	111.03	.00	111.03	111.03	.00	.00
Personal Services	2,736,471	3,075,811	2,918,462	157,349-	3,078,399	2,920,947	157,452-	6.65%
Operating Expenses	538,035	703,732	666,747	36,985-	702,350	669,779	32,571-	23.92%
Equipment	16,595	228,820	228,820	0	41,700	41,700	0	1278.85%
Capital Outlay	79,357	120,000	0	120,000-	120,000	98,500	21,500-	-100.00%
Total Costs	\$3,370,458	\$4,128,363	\$3,814,029	\$314,334-	\$3,942,449	\$3,730,926	\$211,523-	13.16%
Fund Sources								
State Revenue Fund	3,370,458	4,128,363	3,814,029	314,334-	3,942,449	3,730,926	211,523-	13.16%
Total Funds	\$3,370,458	\$4,128,363	\$3,814,029	\$314,334-	\$3,942,449	\$3,730,926	\$211,523-	13.16%

Program Description

The Gross Vehicle Weight (GVW) Division is responsible for enforcement of the statutes and regulations relating to vehicle weight, size, licensing, fuel, and safety on the state's highways (Title 61, MCA). It also issues permits and operating authority for commercial vehicles and collects gross vehicle weight fees. The Fiscal Bureau registers interstate fleet vehicles, issues GVW fee licenses, issues oversize and overweight permits, and collects fees and taxes. The Compliance Bureau operates weigh stations across the state and assigns enforcement officers to inspect vehicles for compliance with registration, fuel, size, and weight laws.

Budget

The current level budget increases as a result of an increase in personal services and the two budget modifications discussed below. Personal services increase due to vacancy savings in fiscal 1990 and the fiscal 1991 pay plan that continues in the 1993 biennium. Annual operating expenses are higher than the fiscal 1990 expenditure level due to increases in vehicle rent, uniforms costs, travel, inflation adjustments, and the two budget modifications discussed below.

The equipment budget includes \$5,000 for a personal computer, \$53,000 for eight portable scales and scale readout instruments, and \$212,520 in Budget Modification #1 for computer and photographic equipment to automate weigh stations.

GROSS VEHICLE WEIGHT

Capital Outlay includes \$98,500 in fiscal 1993 for retrofit of the Billings Interstate Eastbound Weigh Station. This is the final weigh station scheduled to be retrofit.

Budget Modifications

Modification Type	Executive		Legislature	
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) Automated Weigh Stations	0.0	0.0	\$0	\$312,520
2) G.V.W. Officer Training	0.0	0.0	\$0	55,330
Total	0.0	0.0	\$0	\$367,850

1) Automated Weigh Stations - This modification includes \$312,520 of highways state special revenue funds in the 1993 biennium for automation of specific functions at the state's weigh stations, including on-line access to GVW enforcement data. Fax machines and computers would be installed at a cost of \$212,520 and telephone line expenses would be \$100,000 to operate the new equipment.

2) GVW Officer Training - This modification includes \$55,330 highways state special revenue fund in the 1993 biennium for GVW officer training. The training would include law enforcement training, computer training (related to Budget Modification #1), and handling of hazardous waste.

Funding

Funding from the program comes entirely from the highways special revenue account. The GVW program generates revenues of \$25 million per year for this account from gross vehicle weight fees, licenses, and fines and permits.

DEPARTMENT OF REVENUE

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	684.08	671.91	692.41	20.50	671.58	692.08	20.50	8.33
Personal Services	14,883,148	16,853,673	16,473,714	379,959-	16,840,222	16,460,848	379,374-	10.69%
Operating Expenses	3,903,757	4,135,874	4,525,018	389,144	4,291,145	4,510,765	219,620	15.91%
Equipment	160,182	246,819	224,441	22,378-	193,580	141,908	51,672-	40.12%
Local Assistance	3,106	15,000	15,000	0	15,000	15,000	0	382.94%
Debt Service	155,883	268,573	268,572	1-	268,573	268,572	1-	72.29%
Total Costs	\$19,106,076	\$21,519,939	\$21,506,745	\$13,194-	\$21,608,520	\$21,397,093	\$211,427-	12.56%
Fund Sources								
General Fund	17,145,905	19,501,456	18,835,880	665,576-	19,622,309	18,834,416	787,893-	9.86%
State Revenue Fund	911,250	613,883	1,155,385	541,502	580,947	1,135,616	554,669	26.79%
Federal Revenue Fund	233,725	293,788	297,789	4,001	293,795	297,581	3,786	27.41%
Proprietary Fund	815,196	1,110,812	1,217,691	106,879	1,111,469	1,129,480	18,011	49.37%
Total Funds	\$19,106,076	\$21,519,939	\$21,506,745	\$13,194-	\$21,608,520	\$21,397,093	\$211,427-	12.56%

Agency Description

The Department of Revenue (DOR), authorized by Section 2-15-1301, MCA, collects revenue from and enforces regulations governing approximately 31 state taxes and fees. The department is also responsible for regulating the sale and distribution of alcoholic beverages in the state. The department is organized into eight divisions with overall agency direction and management coordinated from the Director's Office.

Budget

The legislature implemented a 0.5 percent reduction in the total agency general fund budget for each year of the biennium. Since agencies will be allowed to allocate this budget reduction among programs, it is reflected in the agency table above but is not reflected in the program tables and narratives.

FTE increase a net of 8.33 positions between fiscal 1990 and 1992. Reorganizations authorized by the 1989 legislature moved 8.5 FTE from the department to: 1) the Department of Justice for video poker investigations (7.0 FTE); and 2) the State Auditor's Office for bad debt collections (1.5). One FTE was transferred from the Motor Fuels Tax Division to the Department of Highways to implement reorganization for the Department of Transportation (Senate Bill 164) in the 1993 biennium. The legislature removed 5.5 FTE that

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had been vacant throughout fiscal 1990. The legislature added 14.33 new FTE and appropriation authority for 9.0 current level FTE previously provided through a language appropriation by: 1) approving four budget modifications which increased FTE 11.33 in fiscal 1990 and 11.0 in fiscal 1993; 2) approving the Executive request for 3.0 current level FTE to administer the employer's (worker's compensation) payroll tax; and 3) appropriating Liquor Licensing Bureau current level FTE in House Bill 2 rather than through language as has been done in previous biennia, which adds 9.0 FTE each year.

Personal services increase 10.7 percent due to: 1) approval of four budget modifications which add \$240,878 in fiscal 1992 and \$234,717 in fiscal 1993; 2) adoption of the Executive request adding 3.0 current level FTE to administer the employer's payroll tax; 3) vacancy savings in fiscal 1990; and 4) continuation of the fiscal 1991 pay plan in the 1993 biennium. The legislature imposed 4 percent vacancy savings on personal services costs for all programs except the Elected and Deputy Assessors program. The fiscal 1992 and 1993 pay plan increase (House Bill 509) is not included in the agency table or in the program tables. Volume I of this report has a "Pay Plan" section that describes the pay plan increase and has a table showing allocations to each agency.

The operating budget increases 15.9 percent due to the following major changes: 1) budget modifications, which add \$373,997 in fiscal 1992 and \$516,395 in fiscal 1993; 2) network service fee increases of about \$158,000 annually; 3) an increase in current level operating costs of about \$91,000 each year to support the administration of the employer's payroll tax; 4) the legislative audit in fiscal 1992 of \$123,115 compared to actual expenditures of \$60,047 in fiscal 1990 and a 1991 biennium appropriation of \$107,919; and 5) other fixed cost and inflationary adjustments, including postage which adds about \$89,000 each year, paper which adds about \$11,000 each year, and gasoline which adds \$11,200 in fiscal 1992 and \$6,700 in fiscal 1993. Some operating increases are offset by reductions in mainframe computer processing costs of about \$148,000 in fiscal 1992 and \$179,000 in fiscal 1993. Other changes to operating costs which account for the balance of the difference between fiscal 1990 and 1992 are discussed in the following program narratives.

Current level equipment includes: 1) five replacement vehicles each year; 2) 18 personal computers in fiscal 1992 and 17 in fiscal 1993; and 3) other miscellaneous office equipment. Equipment added by budget modification includes \$108,013 in fiscal 1992 and \$27,614 in fiscal 1993 to purchase: 1) eight personal computers each year; 2) equipment for new FTE including personal computers, desks, chairs, and other office equipment as needed; and 3) three replacement vehicles in fiscal 1992.

Local assistance reflects the amount of federal pass-through funds available for local governments to fund welfare fraud investigations.

Debt service includes payments for the mid-range computer purchased for the computer-assisted mass appraisal system (CAMAS) and other CAMAS equipment. Approval of a budget modification adds \$112,689 in debt service each year of the biennium to fund an upgrade to the mid-range computer and six high-speed printers for local appraisal offices. Debt service for the upgrade and printers is expected to continue through fiscal 1996.

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Budget Modifications

Modification Type	-----Executive-----			-----Legislature-----				
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) Employer's Payroll Tax--Data Processing Program	2.33	2.0		\$77,138	2.33	2.0		\$74,052
2) Employer's Payroll Tax--Income Tax Program	6.0	6.0		321,159	3.0	3.0		167,066
3) Replacement Equipment			126,778	126,778			94,003	94,003
4) Accounts Receivable	3.0	3.0	175,172	175,172	3.0	3.0	170,072	170,072
5) Computer Processing Costs*				170,801			170,801	170,801
6) Revenue Collection					3.0	3.0	170,436	170,436
7) Cyclical Reappraisal Costs			271,000	271,000			271,000	271,000
8) CAMAS Costs			659,562	659,562			609,562	609,562
Total	11.33	11.0	\$1,232,512	\$1,801,610	11.33	11.0	\$1,485,874	\$1,726,992

*This budget modification is not included in the printed Executive Budget, but was requested in the revised Executive Budget.

Budget modifications are discussed in greater detail in the following program narratives.

Funding

General fund supports all or a portion of every program in the department, except the Motor Fuels and Liquor divisions. General fund increases due to: 1) approval of budget modifications which add \$703,698 in fiscal 1992 and \$782,176 in fiscal 1993; and 2) personal services increases due to vacancy savings and continuation of the 1991 pay plan in the 1993 biennium (which adds at least \$1.25 million each year).

State special revenue includes highway special revenue, unclaimed property proceeds, oil and gas special revenue, and the state lands resource development account. State highway special revenue fully funds the Motor Fuels Tax Division and supports some of the costs of the Centralized Services, and Data Processing divisions. These functions, related FTE, and funds will be transferred to the new Department of Transportation due to passage of Senate Bill 179. Other programs supported in part by other sources of state special

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revenue are the Director's Office, Data Processing, Income and Miscellaneous Tax, and Natural Resource and Corporate Tax divisions. State special revenue increases \$288,405 in fiscal 1992 and \$265,786 in fiscal 1993 due to transfer of administration of the employer's payroll tax to the department and funding the activity with payroll tax proceeds. Other changes in state special revenue funding are discussed in program narratives.

Federal funds include medicaid and welfare fraud investigation funds and federal royalty audit funds. Federal funds increase from fiscal 1990 to 1992 due to budgeting the full reimbursement available for welfare fraud investigation and due to cost increases in federally funded activities in the Director's Office and the Natural Resource and Corporation Tax Division.

Proprietary liquor funds are the largest source of funding for the department. The proprietary funding in the 1991 appropriation includes only the liquor funds that support other programs in DOR and the Licensing Bureau, since the appropriation for the remainder of the Liquor Division is included in language in House Bill 2. FTE and expenditures from the language appropriation are not reflected in the department table. Liquor funds support the Director's Office, the Data Processing Division, and the Liquor Licensing Bureau. Appropriating the Licensing Bureau in House Bill 2 rather than through a language appropriation adds about \$250,000 each year. Another increase includes about \$157,000 in fiscal 1990 and \$68,250 in fiscal 1992 in the Director's Office, with the difference between fiscal years due to the biennial appropriation for the legislative audit. The amount of liquor funding appropriated to the Data Processing Division declines from fiscal 1990 due to the application of 4 percent vacancy savings. Liquor funds supporting operating expenses in all programs (except the language appropriation which funds the bulk of the Liquor Division are shown in the following table).

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Liquor Funds Appropriated in the Department of Revenue in the 1993 Biennium Compared to Fiscal 1990 Actual Expenditures

<u>Program</u>	<u>Fiscal 1990 Actual Expenditures</u>	<u>Budgeted Fiscal 1992</u>	<u>Budgeted Fiscal 1993</u>	<u>Increase 1990 to 1992</u>
Director's Office				
Administration	\$26,979	\$167,503	\$79,872	520.86%
Legal Unit	53,159	66,010	66,041	24.17%
Investigations	280,323	283,990	282,803	1.31%
Data Processing	454,735	450,445	451,108	-0.94%
Licensing Bureau	<u>217,175</u>	<u>249,743</u>	<u>249,656</u>	15.00%
Total	\$1,032,371	\$1,217,691	\$1,129,480	17.95%

NOTES:

The increase in Director's Office administration from fiscal 1990 to fiscal 1992 is due to the legislative audit. Fiscal 1990 actual expenditures will not tie to the total shown in the department table in the narrative, as the language appropriation for the Liquor Division is not included and the Licensing Bureau was funded through a language appropriation in the 1991 biennium and is funded in House Bill 2 this biennium.

Other Legislation

<u>Bill No./Description</u>	<u>FTE</u>	<u>Fiscal 1992 General Fund</u>	<u>Total Funds</u>	<u>FTE</u>	<u>Fiscal 1993 General Fund</u>	<u>Total Funds</u>
HB 340 - Revising Taxation of Private Forest Lands	0.0	\$980,838	\$980,838	3.0	\$0	\$0
HB 959 - Payment of Estimated Tax When Filing Extension	<u>3.0</u>	<u>108,225</u>	<u>108,225</u>	<u>3.0</u>	<u>78,705</u>	<u>78,705</u>
Totals	3.0	\$1,089,063	\$1,089,063	6.0	\$78,705	\$78,705

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HB 340 - Revising Taxation of Private Forest Lands - This bill generally revises the taxation of private forest lands. The bill appropriates \$614,076 general fund to the department to determine the forest productivity value of forest lands. The fiscal note anticipates that the department will contract with the University of Montana for that determination. The bill appropriates \$366,762 to the department to administer the bill and the fiscal note anticipates that the department will hire 3.0 FTE in fiscal 1993. Department personnel state that FTE needed to administer the bill will rise to 9.0 in fiscal 1994. The bill does not specify that the appropriation is authorized for fiscal year 1993, but does allow the remaining balance in the appropriation to be encumbered for payment in fiscal year 1994.

HB 959 - Payment of Estimated Tax When Filing Extension - This bill requires tax payers to pay up to 95 percent of estimated taxes when filing for an extension. The appropriation funds 3.0 FTE, equipment, and operating expenses.

DIRECTOR'S OFFICE

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	14.50	37.50	35.50	2.00-	37.50	35.50	2.00-	21.00
Personal Services	917,666	1,246,981	1,118,078	128,903-	1,246,555	1,117,598	128,957-	21.84%
Operating Expenses	346,607	322,908	382,463	59,555	326,941	265,962	60,979-	10.34%
Equipment	26,279	12,759	13,990	1,231	12,759	13,990	1,231	-46.76%
Local Assistance	3,106	15,000	15,000	0	15,000	15,000	0	382.94%
Total Costs	\$1,293,658	\$1,597,648	\$1,529,531	\$68,117-	\$1,601,255	\$1,412,550	\$188,705-	18.23%
<u>Fund Sources</u>								
General Fund	738,815	1,038,095	841,821	196,274-	1,041,689	815,409	226,280-	13.94%
State Revenue Fund	85,989	0	1,563	1,563	0	0	0	-98.18%
Federal Revenue Fund	108,393	173,578	168,644	4,934-	173,585	168,425	5,160-	55.59%
Proprietary Fund	360,461	385,975	517,503	131,528	385,981	428,716	42,735	43.57%
Total Funds	\$1,293,658	\$1,597,648	\$1,529,531	\$68,117-	\$1,601,255	\$1,412,550	\$188,705-	18.23%

Program Description

The Director's Office provides management control, coordination of policy direction, strategic planning, legal, and investigative services that assist the tax programs in fulfilling collection and enforcement responsibilities. The Administration program provides policy development, operations, and budget coordination for the agency and supervision of the Director's Office. The Legal unit advises program staff and handles a large number of tax appeals before the State Tax Appeal Board as well as state courts. The Investigations unit oversees liquor and welfare fraud investigations. Research and Information unit staff perform and publish detailed studies concerning the impact on state and local revenue sources caused by legislative action, executive decisions, and changes in economic patterns.

Budget

FTE increase a net of 21.0 positions. Two reorganizations account for most of the increase. The Investigations program (12.0 FTE) and the Research and Information Unit (6.0 FTE) were combined into the Director's Office. A series of FTE transfers in the budget request added another 5.0 FTE including: 1) 2.0 FTE transferred from the Property Assessment Division to the Legal unit; 2) 2.0 FTE transferred from the Investigations legal administration to the Legal unit; and 3) 1.0 FTE transferred from the Corporation and

DIRECTOR'S OFFICE

Natural Resource Tax program to the Research and Information section. A grade 19 FTE and grade 15 FTE vacant throughout fiscal 1990 were removed by the legislature.

Personal services increase 21.8 percent due to: 1) vacancy savings in fiscal 1990; and 2) continuation of the fiscal 1991 pay plan in the 1993 biennium.

The operating budget increases 10.3 percent and equipment is 46.8 percent lower in fiscal 1992 compared to fiscal 1990 expenditures. Operating expense increases and equipment are discussed for each of the four sections that comprise the Director's Office (see the following table).

Director's Office 1993 Biennium Budget Compared to Fiscal 1990 Actual Expenditures

<u>Section/Expenditure</u>	<u>Fiscal 1990 Actual</u>	<u>-----Legislature----- Fiscal 1992 Fiscal 1993</u>	<u>Percent Change 1990 to 1992</u>
Director's Office Admin.			
FTE	8.5	7.5	-1.0
General Fund	\$347,126	\$334,715	-3.58%
State Special Revenue	85,989	1,563	-98.18%
Federal Funds	0	36,256	100.00%
Proprietary	<u>26,979</u>	<u>167,503</u>	<u>520.86%</u>
Subtotal	<u>\$460,094</u>	<u>\$540,037</u>	<u>17.38%</u>
Legal Unit			
FTE	11.0	11.0	0.0
General Fund	\$248,096	\$332,900	34.18%
Proprietary	<u>53,159</u>	<u>66,041</u>	<u>24.17%</u>
Subtotal	<u>\$301,255</u>	<u>\$398,941</u>	<u>32.42%</u>

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Investigations					
FTE	12.0	12.0	12.0	12.0	0.0
General Fund	\$3,831	\$4,064	\$4,064	\$4,064	6.08%
Federal Funds	108,393	132,388	132,388	132,392	22.14%
Proprietary	280,323	283,990	283,990	282,803	1.31%
Subtotal	\$392,547	\$420,442	\$420,442	\$419,247	7.11%
Research					
FTE	6.0	5.0	5.0	5.0	-1.0
General Fund	\$139,762	\$170,142	\$170,142	\$172,674	21.74%
Total					
FTE	37.5	35.5	35.5	35.5	-2.0
General Fund	\$738,815	\$841,821	\$841,821	\$815,409	13.94%
State Special Revenue	85,989	1,563	1,563	0	-98.18%
Federal Funds	108,393	168,644	168,644	168,425	55.59%
Proprietary	360,461	517,503	517,503	428,716	43.57%
Total	\$1,293,658	\$1,529,531	\$1,529,531	\$1,412,550	18.23%

Total expenditures in the Administration section are budgeted to increase 17.4 percent from fiscal 1990 to 1992 due to the biennial cost of the legislative audit appropriation in fiscal 1990, network fees, insurance, other fixed cost and inflationary adjustments, and vacancy savings in fiscal 1990. In fiscal 1990, the agency spent \$60,047 of a \$107,919 appropriation for legislative audit costs; \$123,115 is budgeted in fiscal 1992. Network fees increase annual operating expenses by \$2,850. Insurance costs add about \$7,500 in fiscal 1992 and \$8,300 in fiscal 1993.

Total expenditures for the Legal unit increase 32.4 percent. Almost all the difference is due to increases in personal services from the FTE transfers from other programs and vacancy savings in fiscal 1990. The fiscal 1992 operating budget is slightly lower than fiscal 1990 actual expenditures due to removal of one time costs. Equipment includes replacement of one computer terminal each year which adds \$1,300 annually.

Total expenditures for the Investigations unit increase 7.1 percent. Local assistance increases to account for the full amount of federal pass-through funds available to local governments that prosecute welfare fraud cases which is \$15,000 each year compared to actual expenditures of \$3,106 in fiscal 1990. The legislature added \$5,894 in fiscal 1992 and \$5,975 in fiscal 1993 for increased program rent. Equipment includes replacement of a vehicle, a desk, and a chair each year of the biennium for \$10,990 annually.

DIRECTOR'S OFFICE

The Research and Information unit budget increases 21.7 percent between fiscal 1990 and 1992. FTE decline by 1.0 position vacant throughout fiscal 1990 and removed by the legislature. Most of the budget increase is in personal services due to vacancy savings in fiscal 1990. Operating cost adjustments include the addition of \$3,335 for printing a biennial report in fiscal 1993. Network fees add \$1,618 each year. There is no equipment authorized for this unit. The unit and 5.0 FTE were transferred to the Director's Office from Data Processing in fiscal 1990. In addition, 1.0 FTE vacant throughout fiscal 1990 was transferred to Research from the Corporation and Natural Resource Tax Division, and then deleted by the legislature.

Funding

The Administration program is funded with general fund, proprietary liquor funds, federal funds, and state special revenue. Liquor funds increase to cover a greater share of program costs in the 1993 biennium. Federal funds reflect supervision of federally funded programs within the Investigations program. State special revenue includes employer's payroll (worker's compensation) tax. The program received highway state special revenue in the 1991 biennium to account for the supervision and program oversight of the Motor Fuels Tax Division. However, that division is being transferred to the new Department of Transportation effective July 1, 1991 due to passage of Senate Bill 164. An increase in liquor funds offsets the decrease in highway special revenue. Fiscal 1992 amounts of general fund, state special revenue and liquor funds are higher than 1993 due to biennial legislative audit costs budgeted in fiscal 1992.

The Legal unit is supported by general fund, and liquor funds. The allocation of liquor funds is slightly greater to account for inflation in operating costs. General fund increases as 2.0 FTE transferred from the Property Assessment Division are fully supported by general fund.

The Investigations unit is funded by general fund, federal funds, and liquor funds. Welfare fraud investigations are federally supported, including a pass-through appropriation available to reimburse county prosecutors for time spent on such cases.

The Research and Information unit is supported by general fund.

CENTRALIZED SERVICES DIVISION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	32.27	30.27	30.77	.50	30.27	30.77	.50	-1.50
Personal Services	639,284	694,917	675,679	19,238-	693,664	674,459	19,205-	5.69%
Operating Expenses	124,164	110,370	108,060	2,310-	108,023	106,022	2,001-	-12.97%
Equipment	4,680	6,024	3,524	2,500-	6,062	3,524	2,538-	-24.70%
Total Costs	\$768,128	\$811,311	\$787,263	\$24,048-	\$807,749	\$784,005	\$23,744-	2.49%
<u>Fund Sources</u>								
General Fund	768,128	811,311	778,656	32,655-	807,749	775,416	32,333-	1.37%
State Revenue Fund	0	0	8,607	8,607	0	8,589	8,589	.00%
Total Funds	\$768,128	\$811,311	\$787,263	\$24,048-	\$807,749	\$784,005	\$23,744-	2.49%

Program Description

The Centralized Services Division performs a variety of accounting, fiscal control, and budgeting services for all department divisions. In addition, the division administers beer and wine tax collections. Specific responsibilities include: recording, summarizing, analyzing, and reporting budget and accounting data including cash receipts, distribution, and payment of invoices; maintaining beer and wine tax collection records and completion of monthly collection reports; providing centralized payroll services and position control services; maintaining records of all department fixed assets; performing inventory, fiscal, and performance audits of all state liquor stores; depositing all tax collections for the department; receiving and distributing all department mail; and managing a supply operation for liquor stores and a purchasing function for department purchases.

Budget

FTE decline by 1.5 as bad debt collection was transferred, effective January 1, 1990, to the State Auditor's Office by the 1989 legislature. A 0.5 clerical FTE will be transferred to the new DOT effective July 1, 1991.

Personal services increase 5.7. percent due to: 1) vacancy savings in fiscal 1990; 2) continuation of the fiscal 1991 pay plan in the 1993 biennium; and 3) continuation of FTE budget authority which was used to contract for services in fiscal 1990. The program contracted for mail opening services in fiscal 1990 and (as allowed in House Bill 100) moved funds budgeted for personal services to contracted services as the cost of contracting the service was lower. The current level budget maintains the FTE assigned to open mail and removes the contract amount from operating costs. The program plans to seek bids for contracted services in the 1993 biennium and let another contract if it remains cost effective to do so.

CENTRALIZED SERVICES DIVISION

The operating budget decreases 13.0 percent due to: 1) removal of the cost to contract for mail opening services of \$18,964; and 2) rate reductions in mainframe computer processing of \$6,625 in fiscal 1992 and \$9,403 in fiscal 1993. These decreases are partially offset by network service fees which add \$8,723 annually and other fixed cost and inflationary adjustments.

Current level equipment includes replacement of one personal computer and two wide-carriage printers each year.

Funding

The program is primarily supported by general fund. The legislature funded a 0.5 clerical FTE that will be transferred to the new DOT from highway state special revenue that had been identified by the department as performing centralized support services functions for the Motor Fuels Tax Division.

DATA PROCESSING DIVISION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	50.50	50.93	51.43	.50	50.60	51.10	.50	.93
Personal Services	1,119,314	1,391,012	1,348,746	42,266-	1,385,520	1,343,444	42,076-	20.50%
Operating Expenses	128,761	154,901	151,086	3,815-	153,322	148,953	4,369-	17.34%
Equipment	7,781	4,384	4,348	36-	2,214	2,214	0	-44.12%
Total Costs	\$1,255,856	\$1,550,297	\$1,504,180	\$46,117-	\$1,541,056	\$1,494,611	\$46,445-	19.77%
<u>Fund Sources</u>								
General Fund	801,121	1,011,385	970,323	41,062-	1,007,429	965,910	41,519-	21.12%
State Revenue Fund	0	71,731	83,412	11,681	65,705	77,593	11,888	.00%
Proprietary Fund	454,735	467,181	450,445	16,736-	467,922	451,108	16,814-	-94%
Total Funds	\$1,255,856	\$1,550,297	\$1,504,180	\$46,117-	\$1,541,056	\$1,494,611	\$46,445-	19.77%

Program Description

The Data Processing Division provides automated data and word processing services, detailed systems requirements analysis, systems development and maintenance services, data entry services, computer operations support services, technical support for departmental and personal computers, and research services relating to tax policy, revenue estimating, and Montana tax laws. The division is comprised of four distinct components which are: Computer Operations, Technical Support, Data Entry/Text Administration, and Midrange and Micro-computer Development.

Budget

FTE increase by a net of 0.93. The FTE changes from fiscal 1990 to fiscal 1992 are: 1) a reorganization transferred 5.0 FTE (the Research and Information unit) from Data Processing to the Director's Office; 2) 2.60 FTE were transferred from the Property Assessment Division to the Data Processing Division; 3) 2.33 FTE are added through budget modification in fiscal 1992 and 2.0 FTE are added in fiscal 1993; and 4) 1.0 FTE added in the 1990 special session of the legislature to transfer employer's payroll tax data from the State Fund and implement the employer's payroll tax system was continued by the legislature. A 0.5 data processing FTE will be transferred to the DOT effective July 1, 1991. The Executive Budget had transferred the FTE to the DOT. However, the legislature left the FTE in the Data Processing Division program contingent on passage and approval of Senate Bill 164.

Personal services increase 20.5 percent due to: 1) 1.0 FTE for data processing support of the employer's payroll tax, which adds \$30,182 in fiscal 1992 and \$30,116 in fiscal 1993; 2) a budget modification for 2.33 FTE in fiscal 1992 and 2.0 FTE in fiscal 1993

DATA PROCESSING DIVISION

for data entry of employer's payroll tax, which adds \$41,549 in fiscal 1992 and \$35,589 in fiscal 1993; 3) vacancy savings in fiscal 1990; and 4) continuation of the fiscal 1991 pay plan in the 1993 biennium.

The operating budget increases 17.3 percent due to: 1) extending maintenance coverage to computer equipment no longer under warranty, which adds \$13,611 each year; 2) increases in network fees of \$7,960 each year; 3) increases in communications and supplies costs to support CAMAS, which adds \$5,743 each year; and 6) other fixed cost and inflationary adjustments. Increased operating costs are partially offset by reductions in mainframe computer processing costs of about \$4,500 in fiscal 1992 and \$7,200 in fiscal 1993.

Equipment includes replacement of two personal computers in fiscal 1992 and one in fiscal 1993.

Budget Modification

Modification Type	-----Executive-----			-----Legislature-----		
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93
1) Employer's Payroll Tax--Data Processing Program	2.33	2.00	\$0	\$77,138	2.33	2.00
					\$0	
						\$74,052

1) Employer's Payroll Tax - Responsibility for administration and collection of the employer's payroll tax was transferred from the Department of Labor and Industry to DOR effective July 1, 1991. This budget modification adds 2.33 FTE in fiscal 1992 and 2.0 FTE in fiscal 1993, and \$74,052 in state special revenue over the biennium, to support data processing tasks.

Funding

Program funding is from the general fund, state special revenue, and proprietary liquor funds. State special revenue includes employer's payroll tax, and highway special revenue. Highway state special revenue funds a 0.5 programmer/analyst FTE that will be transferred to the new DOR. Employer's payroll tax supports the 2.33 FTE added in the budget modification and the current level 1.0 FTE. Liquor funds are allocated in the same proportion as the amount expended in fiscal 1990, except for funding the 1.8 FTE transferred from Property Assessment. Those FTE are fully supported by general fund.

LIQUOR DIVISION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	.00	9.00	9.00	.00	9.00	9.00	.00	9.00
Personal Services	0	197,835	189,922	7,913-	197,745	189,835	7,910-	.00%
Operating Expenses	0	59,821	59,821	0	59,821	59,821	0	.00%
Total Costs	\$0	\$257,656	\$249,743	\$7,913-	\$257,566	\$249,656	\$7,910-	.00%
Fund Sources								
Proprietary Fund	0	257,656	249,743	7,913-	257,566	249,656	7,910-	.00%
Total Funds	\$0	\$257,656	\$249,743	\$7,913-	\$257,566	\$249,656	\$7,910-	.00%

Program Description

The Liquor Division administers the control, sale, and distribution of alcoholic beverages and the licensing of manufacturers, wholesalers, and retailers of alcoholic beverages in Montana (Title 16, MCA). The division orders all merchandise for distribution and sale through the state retail liquor stores/agencies, publishes a retail price list on a quarterly basis, prepares analysis on new products and sales patterns of existing products, and audits all merchandise invoices and freight claims. The division warehouse receives and stores all alcoholic beverage merchandise, assembles orders from individual state retail liquor stores/agencies, and schedules shipment of merchandise. The division also supervises and evaluates all phases of state retail store and agency operations, analyzes and audits retail outlets' financial condition and profit potential, negotiates store leases and evaluates bids for selection of agencies, and develops and implements merchandising/marketing techniques and training programs for store personnel and agents. Additionally, the division determines qualifications of applicants for manufacture, wholesale, and retail licenses, issues licenses, and processes annual renewals of licenses and registrations.

Language

"Liquor Division proprietary funds necessary to maintain adequate inventories of liquor and wine and to operate the state liquor operation are appropriated. During the 1993 biennium, the division shall attempt to return at least 10 percent of net sales. Net sales are gross sales less discounts and all taxes collected. The division shall limit operational expenses of the liquor merchandising system to not more than 15 percent of the net sales. Operational expenses may not include product costs, freight charges, expenses allocable to other divisions, or licensing bureau expenses."

LIQUOR DIVISION

Budget

In previous biennia, Liquor Division functions have been appropriated through language. The legislature adopted the Executive request to continue the language appropriation for Liquor Division functions except the Licensing Bureau, which is authorized in the general appropriations act (House Bill 2). The above table shows the Executive current level request and legislative action. The following table compares fiscal 1990 actual expenditures of the Licensing Bureau to legislative action.

Comparison of Licensing Bureau
Fiscal 1990 Actual Expenditures to Legislative Action

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Change 1990 to 1992</u>
FTE	9.0	9.0	9.0	9.0	9.0	0.00%
Personal Services	\$155,491	\$197,835	\$189,922	\$197,745	\$189,835	22.14%
Operating Expenses	61,684	59,821	59,821	59,821	59,821	-3.02%
Equipment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>
Total Expenditures	\$217,175	\$257,656	\$249,743	\$257,566	\$249,656	15.00%
<u>Fund Sources</u>						
Proprietary Funds	\$217,175	\$257,656	\$249,743	\$257,566	\$249,656	15.00%

Personal services increase 22.14 percent due to: 1) vacancy savings in fiscal 1990; and 2) continuation of the fiscal 1991 pay plan in the 1993 biennium.

The operating budget decreases 3.0 percent due to removal of one-time operating costs.

Funding

The Liquor Licensing Bureau is funded through proprietary liquor funds.

INCOME TAX

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	103.15	114.15	113.65	.50-	114.15	113.65	.50-	10.50
Personal Services	2,190,690	2,692,853	2,584,863	107,990-	2,690,057	2,582,166	107,891-	17.99%
Operating Expenses	1,208,149	1,133,708	1,382,162	248,454	1,106,171	1,315,293	209,122	14.40%
Equipment	8,516	111,496	108,013	3,483-	60,389	27,614	32,775-	1168.35%
Total Costs	\$3,407,355	\$3,938,057	\$4,075,038	\$136,981	\$3,856,617	\$3,925,073	\$68,456	19.60%
Fund Sources								
General Fund	3,254,773	3,459,858	3,696,540	236,682	3,405,328	3,556,119	150,791	13.57%
State Revenue Fund	152,582	478,199	378,498	99,701-	451,289	368,954	82,335-	148.06%
Total Funds	\$3,407,355	\$3,938,057	\$4,075,038	\$136,981	\$3,856,617	\$3,925,073	\$68,456	19.60%

Program Description

The Income and Miscellaneous Tax Division administers and enforces the Montana personal income, withholding, miscellaneous, inheritance, and accommodation taxes. Program responsibilities include administering the income tax withholding system, processing partnership, fiduciary and trust returns, estimated income taxes, filing extensions, and elderly homeowner/renter credits. The program accounts for tax returns and payments; collects delinquent taxes; simplifies reporting requirements; issues tax refunds; assists taxpayers and employers in filing returns; audits tax returns; insures compliance with the tax laws; and manages the accommodation tax. The division distributes forms and instructions to taxpayers, manages toll-free telephone lines, trains volunteers to assist others in completing their returns, conducts small business clinics to inform employers of the requirements for state tax withholding, and manages training programs for practitioners on changes in tax laws and regulations.

Budget

FTE increase by a net of 10.5 positions due to: 1) three budget modifications which add 9.0 FTE each year; 2) legislative approval to add 2.0 current level FTE to administer the employer's payroll tax; and 3) removal of a 0.5 clerical FTE vacant for 12 consecutive months.

Personal services increase 18.0 percent due to: 1) three budget modifications which add \$200,991 in fiscal 1992 and \$200,552 in fiscal 1993; 2) approval of the Executive current level request for 2.0 FTE to administer the employer's payroll tax, which adds \$38,227 in fiscal 1992 and \$38,147 in fiscal 1993; 3) vacancy savings in fiscal 1990; and 4) continuation of the fiscal 1991 pay plan in the 1993 biennium.

INCOME TAX

- 1) Employer's Payroll Tax - The administration and collection of the worker's compensation employer's payroll tax was transferred from the Department of Labor and Industry to DOR effective July 1, 1991. This budget modification adds 3.0 FTE and \$91,992 state special revenue in fiscal 1992 and \$75,074 in fiscal 1993. The modification includes \$16,772 in computer and office equipment for the new FTE in fiscal 1992 only.
- 2) Equipment Replacement - This budget modification includes \$66,389 in general fund in fiscal 1992 and \$27,614 in fiscal 1993 to replace aging equipment, including eight computer terminals, and one high-speed printer each year, and three vehicles in fiscal 1992.
- 3) Accounts Receivable - This budget modification adds 3.0 FTE and \$91,931 in general fund in fiscal 1992 and \$78,141 in fiscal 1993 to enhance collection efforts in income and business taxes owed to the state. As of September 1990, outstanding accounts receivable for income tax totalled about \$20.5 million. The department will hire two phone collectors and a legal collector to increase tax collections and reduce the amount owed to the state. The request also includes \$11,562 in fiscal 1992 for purchase of equipment.
- 4) Mainframe Computer Processing - This budget modification adds \$98,384 in fiscal 1992 and \$72,417 in fiscal 1993 for computer processing. The modification was not included in the published Executive Budget, but was submitted as part of the agency request to the legislature.
- 5) Revenue Collection - This budget modification funds 3.0 FTE each year of the biennium to enhance revenue collection by performing selective audits and cross matching federal and state income tax files to identify persons who do not file state income taxes and other returns that will be forwarded to the accounts receivable collectors. Equipment purchases are budgeted the first year of the biennium. The modification adds \$91,713 in fiscal 1992 and \$78,723 in fiscal 1993.

Funding

General fund is the major funding source for this program. State special revenue supports several functions, including administration of the unclaimed property program, accommodation tax, emergency telephone tax, and employer's payroll tax. State special revenue increases 148.1 percent to fund administration of the employer's payroll tax.

Dangerous drug tax collections are statutorily appropriated to offset administrative costs.

CORPORATION TAX

<u>Budget Item</u>	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	35.00	33.00	33.00	.00	33.00	33.00	.00	-2.00
Personal Services	842,612	981,240	941,961	39,279-	979,405	940,198	39,207-	11.79%
Operating Expenses	337,271	389,062	370,154	18,908-	388,949	373,900	15,049-	9.75%
Equipment	795	2,500	2,410	90-	2,500	2,410	90-	203.14%
Total Costs	\$1,180,678	\$1,372,802	\$1,314,525	\$58,277-	\$1,370,854	\$1,316,508	\$54,346-	11.34%
<u>Fund Sources</u>								
General Fund	992,929	1,188,639	1,122,194	66,445-	1,186,691	1,124,159	62,532-	13.02%
State Revenue Fund	62,417	63,953	63,186	767-	63,953	63,193	760-	1.23%
Federal Revenue Fund	125,332	120,210	129,145	8,935	120,210	129,156	8,946	3.04%
Total Funds	\$1,180,678	\$1,372,802	\$1,314,525	\$58,277-	\$1,370,854	\$1,316,508	\$54,346-	11.34%

Program Description

The Natural Resource and Corporation Tax Division administers 17 different taxes including: corporation license tax, oil and gas severance tax, coal severance tax, metal mines tax, gross and net proceeds tax, local government severance tax, electrical energy license tax, and the resource indemnity trust tax. The division also administers the state and federal royalty audit programs related to mineral production from state and federal lands located in Montana.

Legislative Intent

The department is directed to submit the Corporation and Natural Resource Tax program budget request for the 1995 biennium in separate components including, at a minimum, components for general fund supported functions, and for functions supported by other funds.

Budget

FTE decline by 2.0 positions that were vacant throughout fiscal 1990. One of the positions was transferred to the Research and Information unit in the Director's Office. The second position was removed by the legislature.

Personal services increase 11.8 percent due to: 1) vacancy savings in fiscal 1990; and 2) continuation of the fiscal 1991 pay plan.

CORPORATION TAX

The operating budget increases 9.8 percent due to: 1) an increase in audit-related travel of \$20,000 each year; 2) network service fees of \$13,303 annually; 3) contracted services costs in fiscal 1993 of about \$5,000 to fund membership in and services from the Multistate Tax Commission; and 4) other fixed cost and inflationary adjustments, including postage inflation which adds about \$3,100 each year. Operating cost increases are partially offset by reductions in mainframe computer processing costs of about \$4,100 in fiscal 1992 and \$5,000 in fiscal 1993.

Current level equipment includes replacement of one personal computer each year.

Funding

Program funding is determined by staff function. The 3.0 FTE that perform federal royalty audits are supported by federal funds. The 2.0 FTE responsible for audits related to the administration of state-owned lands are funded by the Department of State Lands' resource development account and the oil and gas special revenue account. The remaining FTE and functions are supported by general fund. The amount of federal funding is based on the contract negotiated with the federal government for the 1993 biennium. General fund increases in order to support specific operating cost increases.

ELECTED AND DEPUTY ASSESSORS

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
FTE	70.70	68.60	68.60	.00	68.60	68.60	.00	-2.10
Personal Services	1,542,016	1,750,784	1,649,662	101,122-	1,753,046	1,651,923	101,123-	6.98%
Operating Expenses	<u>28,810</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	-100.00%
Total Costs	\$1,570,826	\$1,750,784	\$1,649,662	\$101,122-	\$1,753,046	\$1,651,923	\$101,123-	5.02%
<u>Fund Sources</u>								
General Fund	<u>1,570,826</u>	<u>1,750,784</u>	<u>1,649,662</u>	<u>101,122-</u>	<u>1,753,046</u>	<u>1,651,923</u>	<u>101,123-</u>	<u>5.02%</u>
Total Funds	\$1,570,826	\$1,750,784	\$1,649,662	\$101,122-	\$1,753,046	\$1,651,923	\$101,123-	5.02%

Program Description

The Elected Assessors program funds 70 percent of the salaries of elected assessors and deputy assessors.

Budget

FTE decline 2.1 positions over the biennium as the commissioners of two counties--Musselshell and Meagher--requested that the county assessor and appraisal offices be combined. A public hearing must be held regarding the elimination of the elected assessor position before a county can give up such positions. The department then combines the offices into a county manager (assessment/appraisal) office administered by DOR and transfers the FTE to the Appraisers and Other Staff program. Two assessors and one deputy position (each 0.7 FTE) were removed from this program and transferred to Appraisers and Other Staff.

Personal services increase 7.0 percent due to: 1) pay raises authorized by counties; and 2) vacancy savings in fiscal 1990. The department reimbursed 70 percent of county-established salaries, including pay increases adopted by counties. In years when the state pay plan was frozen, the department did not include reimbursement for county pay increases. The legislature did not apply 4 percent vacancy savings to this program as all positions are elected or appointed and extended vacancies are rare.

Operating expenditures are not paid from this program. The expenditures recorded in fiscal 1990 should have been allocated to the Appraisers and Other Staff program.

Funding

This program is supported by general fund.

APPRAISERS AND OTHER ASSESSORS

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	301.56	255.06	256.06	1.00	255.06	256.06	1.00	-45.50
Personal Services	5,411,983	6,026,473	5,807,650	218,823-	6,023,720	5,805,372	218,348-	7.31%
Operating Expenses	603,899	683,998	682,572	1,426-	688,559	683,784	4,775-	13.03%
Equipment	128	85,856	68,356	17,500-	85,856	68,356	17,500-	3303.13%
Total Costs	\$6,016,010	\$6,796,327	\$6,558,578	\$237,749-	\$6,798,135	\$6,557,512	\$240,623-	9.02%
<u>Fund Sources</u>								
General Fund	6,016,010	6,796,327	6,558,578	237,749-	6,798,135	6,557,512	240,623-	9.02%
Total Funds	\$6,016,010	\$6,796,327	\$6,558,578	\$237,749-	\$6,798,135	\$6,557,512	\$240,623-	9.02%

Program Description

The Appraisers and Other Staff program funds county appraisal offices, and the assessment staff. Staff are responsible for valuing new construction and land use changes; considering all requests for property tax exemptions and reductions; and defending the department in tax appeals before county and state tax appeal boards and the courts. State offices are located in each of the 56 counties, under the direct supervision of either an elected assessor (assessment office), and appraisal supervisor (appraisal office), or a county manager (appraisal/assessment - combined office).

Budget

There is a net decline of 45.5 FTE due to the reorganization of some functions. Two and one-tenth FTE were transferred into the program from the Elected and Deputy Assessors program. A total of 47.6 FTE were transferred from the program to the Property Assessment program. These FTE included the area managers and associated administrative staff, and Helena-based staff that administer other field functions.

Personal services costs increase 7.3 percent despite the decline in FTE due to: 1) transfer of appropriation authority and expenditures with the FTE moved from Elected and Deputy Assessors; 2) vacancy savings in fiscal 1990 as the turnover in field staff was high; and 3) continuation of the 1991 pay plan into the 1993 biennium.

Operating costs increase 13.0 percent due to: 1) contracted services increases of about \$50,000 each year, including appraiser services (\$31,645 each year) and computer system development (\$17,091 each year) to update county computer systems for tax law changes

made by the 1991 legislature; and 2) fixed cost and inflationary adjustments of about \$29,000, including postage inflation of about \$14,300 each year, inflation in the price of paper of about \$4,000 each year, and gasoline inflation of about \$6,000 in fiscal 1992 and \$3,700 in fiscal 1993.

Equipment includes replacement of six vehicles and miscellaneous office equipment each year. A lease/purchase for a telephone system is also budgeted, but the lease cost is offset by reductions in communications operating costs. The division expended \$49,495 to replace vehicles in fiscal 1990. However, the cost is recorded in the Property Assessment program.

Funding

General fund supports the Appraisers and Other Assessors program.

PROPERTY ASSESSMENT PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	31.40	73.40	72.40	1.00-	73.40	72.40	1.00-	41.00
Personal Services	1,757,069	1,871,578	1,765,207	106,371-	1,870,510	1,764,240	106,270-	.46%
Operating Expenses	985,786	1,281,106	1,254,665	26,441-	1,459,359	1,425,551	33,808-	27.28%
Equipment	104,565	23,800	23,800	0	23,800	23,800	0	-77.24%
Debt Service	155,883	268,573	268,572	1-	268,573	268,572	1-	72.29%
Total Costs	\$3,003,303	\$3,445,057	\$3,312,244	\$132,813-	\$3,622,242	\$3,482,163	\$140,079-	10.29%
Fund Sources								
General Fund	3,003,303	3,445,057	3,312,244	132,813-	3,622,242	3,482,163	140,079-	10.29%
Total Funds	\$3,003,303	\$3,445,057	\$3,312,244	\$132,813-	\$3,622,242	\$3,482,163	\$140,079-	10.29%

Program Description

The Property Assessment program includes the Helena Appraisal Section which regularly audits county offices, supports the county staff, and performs all appraisals for centrally assessed inter-county and industrial property. The administrative and support functions for PAD, and the five area managers are also funded in this program. The department combined two functions--the Helena Appraisal Section and Division Administration, which were budgeted separately in the 1989 legislature--and reorganized the area managers and other Helena-based staff into this program from Appraisers and Other Staff Program.

Language

"Funds appropriated in the [computer-assisted mass appraisal system budget modification] may be used only for consulting contracts to support CAMAS or to support appraisers' use of CAMAS; for debt service costs to fund equipment acquisition; and for computer maintenance contracts." CAMAS is the computer-assisted mass appraisal system implemented by the department in the 1991 biennium.

Budget

FTE increase a net of 41.0 between fiscal 1990 and 1992. The reorganization of area managers and Helena based staff added 47.6 FTE, while transfers and elimination of vacant positions remove 6.6 FTE from the program. Three FTE were transferred to the Legal unit

PROPERTY ASSESSMENT PROGRAM

in the Director's Office and 2.6 FTE were transferred to the Data Processing Division. The legislature removed 1.0 FTE that had been vacant throughout fiscal 1990.

Personal services increase 0.5 percent due to: 1) vacancy savings in fiscal 1990; 2) continuation of the fiscal 1991 pay plan in the 1993 biennium; and 3) application of 4 percent vacancy savings each year of the biennium. Personal services expenditures in fiscal 1990 include the 47.6 FTE added by the reorganization.

The operating budget increases 27.3 percent due to: 1) two budget modifications, which add \$242,592 in fiscal 1992 and \$412,592 in fiscal 1993; 2) network service fees of \$86,742 annually; and 3) other fixed cost and inflationary adjustments. Operating cost increases are partially offset by: 1) a reduction to the fiscal 1990 base to remove one-time computer repair and maintenance costs of about \$73,000; and 2) reductions in mainframe computer processing costs of about \$12,000 in fiscal 1992 and \$17,000 in fiscal 1993.

Current level equipment includes 14 personal computers each year for local reappraisal offices and replacement software. The 1993 annual biennium equipment budget is lower than fiscal 1990 expenditures as replacement vehicles budgeted in the Appraiser and Other Staff program were purchased in this program in fiscal 1990.

Debt service includes payments for computer equipment for CAMAS. Debt service increases due to the budget modification which adds \$112,689 each year of the biennium to fund an upgrade to the mid-range computer purchased to operate CAMAS and for six high-speed printers for local offices. The department upgraded the mid-range computer as it did not have adequate disk storage or processing capability. The equipment was purchased in fiscal 1991 with initial authorization included in the supplemental appropriations bill (House Bill 3) being considered by the 1991 legislature. Debt service to fund the upgrade and printers is planned to continue through fiscal 1996.

Senate Bill 412 revises sales assessment ratio studies enacted in House Bill 703 by the 1989 legislature. House Bill 703 directed DOR to equalize property values annually for residential and commercial property classes based on sales-assessment ratios. The annual adjustment provided for interim corrections to property values within the more comprehensive five- to seven-year reappraisal cycles. The Montana Supreme Court held that the application of the DOR 1990 sales-assessment ratio study "offends constitutional principles" and prohibited interim adjustments to assessed values derived from results of such studies after December 31, 1990. Senate Bill 412 requires the department to continue sales assessment ratio studies and to reappraise all property in an area where the sales assessment ratios meet certain thresholds. The bill also provides for a public hearing and judicial review, if requested, regarding such sales assessment ratios. Sales assessment ratios and selective reappraisals will be eliminated in tax year 1994, when all property the reappraisal cycle will be shortened to three years. The department testified that shorter reappraisal cycles are possible due to the implementation of CAMAS.

PROPERTY ASSESSMENT PROGRAM

Budget Modifications

Modification Type	Executive			Legislature				
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) Cyclical Reappraisal Costs			\$271,000	\$271,000			\$271,000	\$271,000
2) CAMAS Costs			659,562	659,562			609,562	609,562
Total	0.0	0.0	\$930,562	\$930,562	0.0	0.0	\$880,562	\$880,562

1) Cyclical Reappraisal Costs - This budget modification adds \$271,000 general fund to complete the current reappraisal cycle by December 31, 1992. Most of these funds (\$249,000) would be spent in fiscal 1993. This modification includes \$108,000 for mailing of assessment notices, \$109,000 to print assessment forms, and \$32,000 for more staff travel. In fiscal 1992, \$22,000 is allocated to gasoline purchases.

2) CAMAS - This budget modification includes \$333,281 general fund in fiscal 1992 and \$276,281 in fiscal 1993 to contract for system support, increase network fees and add maintenance contracts. The second year of the biennium is lower as the Office of Budget and Program Planning has directed the department to develop in-house support for CAMAS and the amount of the annual system support contract is reduced accordingly effective January 1, 1993. The department testified during the 1989 legislature that CAMAS could be developed and supported within current level budgets. However, due to consultant delays, institution of the new network fee proposal, and an inadequately sized mid-range computer, costs are greater than anticipated. The legislature reduced the budget modification by \$25,000 each year.

Funding

The Property Assessment program is supported by general fund.

MOTOR FUEL TAX

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	24.00	.00	22.00	22.00	.00	22.00	22.00	-2.00
Personal Services	462,514	0	486,084	486,084	0	485,808	485,808	5.10%
Operating Expenses	140,310	0	134,035	134,035	0	131,479	131,479	-4.47%
Equipment	7,438	0	0	0	0	0	0	-100.00%
Total Costs	\$610,262	\$0	\$620,119	\$620,119	\$0	\$617,287	\$617,287	1.62%
Fund Sources								
State Revenue Fund	610,262	0	620,119	620,119	0	617,287	617,287	1.62%
Total Funds	\$610,262	\$0	\$620,119	\$620,119	\$0	\$617,287	\$617,287	1.62%

Program Description

The Motor Fuels Tax Division enforces compliance with motor fuel tax law and administers license taxes on gasoline and diesel fuel. It manages refund provisions of the tax laws; supervises the bonding requirements of distributors, dealers, and users to insure the proper collection of the license taxes; and issues permits and licenses to distributors, dealers, and users. The division directly collects motor fuel taxes, enforces bonding requirements, and pays refunds.

Budget

This program is transferred to the DOT due to passage and approval of Senate Bill 164. The following table shows the Executive request compared to legislative action.

MOTOR FUEL TAX

Comparison of Executive Budget to Legislative Action

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Change 1990-92
FTE	24.0	23.0	22.0	23.0	22.0	-2.0
Personal Services	\$462,514	\$533,181	\$486,084	\$532,783	\$485,808	5.10%
Operating Expenses	140,310	140,023	134,035	137,175	131,479	-4.47%
Equipment	7,438	0	0	0	0	-100.00%
Total Expenditures	\$610,262	\$673,204	\$620,119	\$669,958	\$617,287	1.62%
Fund Sources						
State Special Revenue	\$610,262	\$673,204	\$620,119	\$669,958	\$617,287	1.62%

FTE decline by 2.0. One FTE, vacant throughout fiscal 1990, was removed by the legislature. The second FTE was transferred to the Department of Highways to oversee the implementation of the DOT (Senate Bill 164) in the 1993 biennium. The Department of Revenue testified that neither position was needed, as the state has become a member of the International Fuel Tax Agreement (IFTA). IFTA member states calculate and remit all motor fuel taxes due another member state from motor carrier tax returns filed in their respective home state.

Personal services increase 5.1 percent due to: 1) vacancy savings in fiscal 1990 (2.0 FTE were vacant throughout fiscal 1990); and 2) continuation of the fiscal 1991 pay plan in the 1993 biennium.

The operating budget decreases 4.5 percent due to: 1) a reduction from the fiscal 1990 base of about \$2,500 in mainframe computer processing costs as the division has installed a new computer system that is more efficient than the previous system; and 2) reductions in the cost of mainframe computer processing of about \$8,300 in fiscal 1992 and \$12,000 in fiscal 1993. These cost decreases offset other fixed cost and inflationary adjustments.

Funding

The Motor Fuels Tax Division is funded from the highway state special revenue account.

DEPARTMENT OF ADMINISTRATION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	352.59	322.89	318.14	4.75-	326.89	322.14	4.75-	-34.45
Personal Services	8,672,246	9,825,032	9,371,203	453,829-	9,906,094	9,450,714	455,380-	8.06%
Operating Expenses	19,778,558	25,635,845	25,225,683	410,162-	26,375,156	25,701,191	673,965-	27.54%
Equipment	1,422,819	2,100,176	1,795,405	304,771-	2,006,471	1,701,124	305,347-	26.19%
Capital Outlay	3,299	0	0	0	0	0	0	-100.00%
Local Assistance	2,876	0	0	0	0	0	0	-100.00%
Transfers	1,912,873	730,906	732,269	1,363	742,291	740,820	1,471-	-61.72%
Debt Service	3,555,409	4,535,647	4,835,647	300,000	3,988,997	4,288,997	300,000	36.01%
Total Costs	\$35,348,080	\$42,827,606	\$41,960,207	\$867,399-	\$43,019,009	\$41,882,846	\$1,136,163-	18.71%
Fund Sources								
General Fund	3,165,822	3,540,819	3,428,337	112,482-	3,536,633	3,376,874	159,759-	8.29%
State Revenue Fund	527,648	682,105	746,344	64,239	693,490	757,323	63,833	41.45%
Capital Projects Fund	544,395	730,906	773,667	42,761	742,291	784,648	42,357	42.12%
Proprietary Fund	31,110,215	37,873,776	37,011,859	861,917-	38,046,595	36,964,001	1,082,594-	18.97%
Total Funds	\$35,348,080	\$42,827,606	\$41,960,207	\$867,399-	\$43,019,009	\$41,882,846	\$1,136,163-	18.71%

Agency Description

The Department of Administration (DOA) provides centralized services for state agencies in the following areas: 1) accounting and financial reporting; 2) capitol complex building maintenance and capitol security; 3) state bonded indebtedness administration; 4) state treasury services; 5) insurance coverage and Tort Claims Act administration; 6) systems development, telecommunications, and data processing; 7) personnel management and labor relations; 8) purchasing and surplus property administration; 9) duplicating, mail, and messenger services; and 10) records management. The department also administers the State Long Range Building Program, state employee group benefits program, and the various state retirement systems. In addition, the Board of Examiners, State Tax Appeal Board, State Compensation Mutual Insurance Fund, Public Employees' Retirement Board, and Teachers' Retirement Board are attached to the department for administrative purposes only.

Language

"The department shall develop and submit a cost recovery plan for each of its proprietary operations to the Office of Budget and Program Planning and the Legislative Fiscal Analyst by August 1, 1992."

DEPARTMENT OF ADMINISTRATION

"The Public Service Commission is considering a proposal allowing large state natural gas customers to purchase their own supplies of gas directly from gas producers. Recognizing the likelihood of a changing natural gas procurement environment, the Governor is authorized, if the proposal is approved by the Commission, to designate a lead agency to implement a coordinated natural gas procurement program for affected state agencies and the University System."

Legislative Intent

The legislature intends that the cost recovery plans include a description of the methodology used to determine rates, the proposed rates for the 1995 biennium, and identification of subsidization of services that are priced below cost.

Budget

The legislature implemented a 0.5 percent reduction in the total agency general fund budget for each year of the biennium. Since agencies will be allowed to allocate this budget reduction among programs, it is reflected in the agency table above but is not reflected in the program tables and narratives.

FTE decline a net of 34.45. Budget modifications add 6.0 FTE in fiscal 1992 and 7.0 in fiscal 1993. In addition, the legislature added 2.0 attorney FTE to the Tort Claims program and reduced the budget modification for contracted legal services by \$500,000 each year of the biennium. Continuation of the expanded federal surplus property program adds 4.0 FTE each year, as the program is not reflected in fiscal 1990 totals. The offsetting reduction of 46.45 FTE is due to: 1) reductions in FTE as the following services are now provided by contract--data entry (11.2), janitorial (15.0), and capitol security (10.0); 2) transfer of records management to the Secretary of State's Office, which reduces FTE by 8.25; and 3) reduction of 2.0 FTE per intent of the 1989 legislature as SBAS on line edit and entry reduced data entry workload. Fiscal 1993 FTE are 4.0 greater than fiscal 1992 FTE as 4.0 FTE are added to the Publications and Graphics Bureau for legislative session printing workload, an additional FTE is added for development of the Department of Family Services Computer System, and 1.0 FTE is reduced to reflect completion of the Regents Employees Reporting System (ERS).

Personal services increase 8.1 percent despite the decrease in FTE. About one-third of the positions deleted due to contracting for services were vacant throughout fiscal 1990. Because vacancy savings experienced in fiscal 1990 was higher than the 4 percent budgeted each year of the 1993 biennium, and the fiscal 1991 pay plan increase is continued in the 1993 biennium, personal services costs are higher than fiscal 1990 actual expenditures. In addition, budget modifications increase personal services by \$183,239 in fiscal 1992 and \$210,599 in fiscal 1993, the legislature increased the annual budget for per diem reimbursement for the state and county tax appeal boards \$54,110 in fiscal 1992 and \$54,108 in fiscal 1993, and the legislature added 2.0 grade 17 attorney FTE each year which increases personal services costs \$70,884 in fiscal 1992 and \$70,722 in fiscal 1993. The fiscal 1992 and 1993 pay plan increase (House Bill 509) is not included in the agency or program tables. Volume I of this report has a "Pay Plan" section that describes the pay plan increase and contains a table showing allocations to each agency.

DEPARTMENT OF ADMINISTRATION

The operating budget increases 27.5 percent. Approval of 19 budget modifications, discussed below, adds \$1,845,081 in fiscal 1992 and \$1,791,680 in fiscal 1993. The cost of two functions not included in the fiscal 1990 totals increase the 1993 biennium budget: 1) the cost for deductible insurance policies purchased to cover several types of risks for the state is \$875,129 in fiscal 1992 and \$940,430 in fiscal 1993 (the fiscal 1990 cost of \$742,591 was not recorded in the accounting system correctly); and 2) continuation of the expanded federal surplus property program adds about \$166,000 each year. Contracting for data entry and capitol security services adds \$299,293 each year of the biennium. Major increases in proprietorial services include: 1) \$447,995 in fiscal 1992 and \$560,796 in fiscal 1993 for software upgrades and software rental; 2) an increase in goods for resale of \$229,510 in fiscal 1992 and \$341,985 in fiscal 1993; 3) an increase in pass-through printing of \$131,251 in fiscal 1992 and \$262,501 in fiscal 1993; 4) an increase of \$200,000 for a biennial appropriation to provide the Information Services Division (ISD) with the capability to contract for computer systems development as necessary; 5) additional utility costs in the General Services Division of \$94,182 in fiscal 1992 and \$94,938 in fiscal 1993; and 6) an increase in postage expenses for the Central Mail program of \$67,476. There are other fixed cost and inflationary adjustments, including inflation in postage of \$246,039 each year and paper costs of \$193,724 each year. Operating cost increases are partially offset by reductions due to: 1) legislative approval of the Executive recommendation for the Telecommunications Bureau, which was \$101,589 lower in fiscal 1992 and \$97,805 lower in fiscal 1993; and 2) the transfer of the State Agency Records Management program to the Secretary of State's Office (\$98,000 per year). Other changes to the operating budgets which explain the balance of the difference between fiscal 1990 and 1992 are discussed in program narratives.

Equipment increases 26.2 percent from fiscal 1990 to 1992 due to eight budget modifications which add \$900,716 in fiscal 1992 and \$883,689 in fiscal 1993. The biennial cost includes: 1) \$1.3 million for computer and communications equipment in ISD; 2) \$146,000 for photocopy and printing equipment in the Publications and Graphics Bureau; 3) \$30,000 for a delivery truck in the Property and Supply program; and 4) \$8,000 for a pallet jack in the Property and Supply program.

Capital outlay, expended in ISD for remodeling in fiscal 1990, is not continued in current level. Local assistance included reimbursements to county tax appeal boards for secretarial services in fiscal 1990, but is budgeted in contracted services in the 1995 biennium.

Transfers include money moved between fund types in the department. Transfers decline as the Tort Claims Division is funded directly from the self-insurance fund, eliminating the need to transfer monies from the fund to the operations budget. The transfer of general fund appropriation into the computer services proprietary account in ISD for the study and implementation of uniform payroll, personnel, and position system for the university system is not continued.

Debt service increases to fund computer software and hardware, and replacement copying machines in several agencies in the capitol complex.

DEPARTMENT OF ADMINISTRATION

Budget Modifications

Modification Type	-----Executive-----			-----Legislature-----				
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) HB500 - Capitol Restoration Commission								\$23,268
2) HB5 - Expanded Long-Range Building Program								209,824
3) Federal Surplus Property				174,000				174,000
4) Armory Computer Upgrade				200,000				150,000
5) Public Safety Communication				139,000				139,000
6) ISD: Growth in Workload				1,000,000				1,000,000
7) ISD: Networks	3.0	3.0		1,600,423	3.0	3.0		1,593,003
8) Disaster Backup				323,000				323,000
9) HB569 - Family Services Computer System					2.0	3.0		171,400
10) Student Long Distance	1.0	1.0		650,149	1.0	1.0		647,539
11) Telephone System Upgrades				458,000				458,000
12) Postage Machines*				13,000				13,000
13) Expanded Mail Services*				348,174				348,174
14) System Enhancements*				58,000				58,000
15) Combined Campaign				20,000				20,000
16) Professional Development Center*				30,292				30,292
17) Communications for Group Insurance Requirements				16,000				16,000
18) HB696 - Genetics Program				2,000,000				40,504
19) Tort Claims: Contracts								1,000,000
Total	4.0	4.0	\$0	\$7,030,038	6.0	7.0	\$0	\$6,415,004

*These budget modifications were either not printed in the Executive Budget or were included at a different amount. The amounts shown in the Executive column are those presented in the revised Executive Budget request to the legislature.

DEPARTMENT OF ADMINISTRATION

The budget modifications are discussed in the following program narratives.

Funding

The department is funded with general fund, state special revenue, and proprietary funds. General fund supports the Purchasing program, the State Tax Appeal Board, and portions of the following programs: Director's Office; Accounting and Management Support; General Services; and State Personnel Division.

State special revenue includes the transfer of long-range building funds (capital projects funds) to the Architecture and Engineering Division. Capital projects funds (about \$58,420 annually) pay for special maintenance projects in the General Services Division and provide the cash to transfer to the state special revenue fund that supports Architecture and Engineering.

Proprietary funds support all or a portion of almost every program in the department including: the Director's Office; Accounting and Management Support Division; Printing and Procurement Division; ISD; General Services Division; Central Mail; and the State Personnel Division.

Other Legislation

Bill No./Description	Fiscal 1992		Fiscal 1993	
	FTE	General Fund	FTE	General Fund
HB30 - Montana Educational Telecommunications Network	1.0	\$300,000	1.0	\$300,000
HB268 - Appellate Defender Commission	2.0	100,000	2.0	100,000
HB509 - State Employee Pay Plan*		73,200		73,200
HB746 - Monument and Flag Circle to Honor American Indians				Unknown
Totals	3.0	\$473,200	3.0	\$400,000
				\$550,000

*The appropriation is biennial.

DEPARTMENT OF ADMINISTRATION

HB 30 - Montana Educational Telecommunications Network - This bill appropriates up to \$300,000 general fund to the Information Services Division each year of the biennium if cash or equipment in the amount of \$150,000 is available each year from other or federal funds. If matching funds are not available, the general fund appropriation is reduced in proportion to the other funds availability and the reduction must revert to the general fund. The division is also appropriated an amount equal to administrative costs for technical support for the network; development of standards of compatibility for the network; assistance with procurement, installation, maintenance, and operation of end-terminal equipment and facilities of the network; and maintenance of cost and usage records and a billing system for user agencies.

HB246 - Appellate Defender Commission - This bill establishes an Appellate Defender Commission that is administratively attached to the Department of Administration. The commission is appropriated \$100,000 each year of the biennium from the assessments levied on vehicles by counties and remitted to the state to fund district court criminal reimbursement costs (Section 3-5-901(2), MCA). The appropriation for the commission must be funded prior to reimbursement of district court criminal costs if the funds from vehicle assessments are insufficient to pay district court criminal costs. The commission consists of five members appointed by the Governor who serve three-year staggered terms. An office of appellate defender is created to staff the commission and to carry out other duties assigned by law. The commission is to develop a system of indigent appellate defense services, propose to the Supreme Court minimum standards for all trial and appellate public defenders, and compile and keep current a statewide roster of attorneys eligible for appointment as appellate defense counsel for indigent defendants. The act terminates July 1, 1993.

HB 509 - State Employee Pay Plan - The Personnel Division is appropriated \$73,200 general fund over the biennium to make necessary changes to the payroll, personnel, and position control system to implement the provisions of House Bill 509.

HB 746 - Monument and Flag Circle to Honor American Indians - This bill provides a language appropriation allowing the Department of Administration to accept and expend private donations to construct a monument and flag circle in the capitol complex to honor American Indians.

DIRECTOR'S OFFICE

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
FTE	8.00	7.00	7.00	.00	7.00	7.00	.00	-1.00
Personal Services	200,395	272,936	261,988	10,948-	272,423	261,363	11,060-	30.74%
Operating Expenses	27,754	27,120	29,078	1,958	27,378	28,594	1,216	4.77%
Equipment	792	2,860	2,860	0	0	0	0	261.11%
Total Costs	\$228,941	\$302,916	\$293,926	\$8,990-	\$299,801	\$289,957	\$9,844-	28.39%
<u>Fund Sources</u>								
General Fund	177,723	239,057	232,354	6,703-	236,699	229,139	7,560-	30.74%
Proprietary Fund	51,218	63,859	61,572	2,287-	63,102	60,818	2,284-	20.22%
Total Funds	\$228,941	\$302,916	\$293,926	\$8,990-	\$299,801	\$289,957	\$9,844-	28.39%

Program Description

The Director's Office is responsible for overall supervision and coordination of eight divisions within the agencies and five administratively attached boards and agencies. The staff provides legal services, internal management reviews, and assistance in special projects.

Budget

FTE decline by 1.0 position that was transferred to the Telecommunications Program to manage the accounting functions for the student long distance program.

Personal services increase 30.7 percent due to: 1) an increase of \$100 annually for per diem reimbursement for members of the capital finance advisory board; 2) vacancy savings in fiscal 1990; and 3) continuation of the fiscal 1991 pay plan in the 1993 biennium.

The operating budget increases 4.8 percent due to fixed cost and inflationary adjustments.

Current level equipment includes software upgrades.

DIRECTOR'S OFFICE

Funding

General fund supports the largest share of program costs. Proprietary funds reflect charges to programs within the department that receive legal services. Proprietary funds support 1.5 attorney FTE and operating costs.

GOVERNOR-ELECT PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	.00	.00	.00	.00	.00	.00	.00	.00
Total Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	.00%
Fund Sources								
Total Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	.00%

Program Description

The Governor-Elect program is to provide support to the Governor-elect and staff for the period between the general election and the inauguration. Necessary funds are to be included in the Department of Administration budget request in the regular session immediately prior to a general election when a Governor is elected (Section 2-15-221, MCA).

Language

"The Governor-Elect program is appropriated all necessary expenses, up to \$50,000 from the general fund in fiscal 1993, to implement the provisions of 2-15-221."

Budget

The legislature included a language appropriation in House Bill 2 allowing an expenditure of up to \$50,000 general fund in the Governor-Elect program in fiscal 1993.

Funding

The Governor-Elect program is supported by general fund.

ACCOUNTING PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	25.00	24.25	24.25	.00	24.25	24.25	.00	-.75
Personal Services	598,069	712,726	684,188	28,538-	711,788	683,313	28,475-	14.40%
Operating Expenses	404,493	387,796	395,159	7,363	382,308	351,171	31,137-	-2.31%
Equipment	7,029	12,527	9,760	2,767-	8,132	0	8,132-	38.85%
Total Costs	\$1,009,591	\$1,113,049	\$1,089,107	\$23,942-	\$1,102,228	\$1,034,484	\$67,744-	7.88%
<u>Fund Sources</u>								
General Fund	980,731	1,082,923	1,059,757	23,166-	1,072,228	1,005,187	67,041-	8.06%
Proprietary Fund	28,860	30,126	29,350	776-	30,000	29,297	703-	1.70%
Total Funds	\$1,009,591	\$1,113,049	\$1,089,107	\$23,942-	\$1,102,228	\$1,034,484	\$67,744-	7.88%

Program Description

The Accounting and Management Support Division is organized into two bureaus and one unit. The Accounting Bureau maintains the Statewide Budgeting and Accounting System, establishes state accounting policies and procedures, and prepares the state Comprehensive Annual Financial Report. The Management Support Bureau, formerly the Centralized Services Division, was combined with the Accounting Division in fiscal 1990. The bureau provides financial, budgeting, and accounting support services to all department programs and manages the State Treasury. The Personnel unit administers personnel and payroll functions for the department.

Budget

FTE decline by 0.75 due to the transfer of the FTE to the Central Mail Bureau.

Personal services increase 14.4 percent, despite the decrease in FTE, due to: 1) vacancy savings in fiscal 1990; and 2) continuation of the fiscal 1991 pay plan in the 1993 biennium.

The fiscal 1992 operating budget declines 2.3 percent from fiscal 1990 expenditures, due to the net impact of: 1) increased computer processing charges which add \$7,324 in fiscal 1992 and \$13,563 in fiscal 1993; 2) the legislative audit in fiscal 1992 of \$31,568 compared to an expenditure in fiscal 1990 of the full biennial audit cost of \$24,904; and 3) other fixed cost and inflationary

ACCOUNTING PROGRAM

adjustments. Operating cost increases are offset by reductions in mainframe computer processing costs of about \$26,000 in fiscal 1992 and \$33,000 in fiscal 1993.

Equipment includes software upgrades.

Funding

General fund supports all division costs, except 1.0 FTE and operating costs which are funded by investment proprietary funds.

ARCHITECTURE & ENGINEERING PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	15.25	15.00	15.00	.00	15.00	15.00	.00	-.25
Personal Services	423,569	473,108	463,646	9,462-	473,371	463,904	9,467-	9.46%
Operating Expenses	100,580	196,497	311,973	115,476	207,619	325,122	117,503	210.17%
Equipment	3,500	2,500	2,505	5	2,500	2,500	0	-28.43%
Transfers	485,625	672,105	673,468	1,363	683,490	682,019	1,471-	38.68%
Total Costs	\$1,013,274	\$1,344,210	\$1,451,592	\$107,382	\$1,366,980	\$1,473,545	\$106,565	43.26%
<u>Fund Sources</u>								
State Revenue Fund	527,648	672,105	736,344	64,239	683,490	747,323	63,833	39.55%
Capital Projects Fund	485,626	672,105	715,248	43,143	683,490	726,222	42,732	47.28%
Total Funds	\$1,013,274	\$1,344,210	\$1,451,592	\$107,382	\$1,366,980	\$1,473,545	\$106,565	43.26%

Program Description

The Architecture and Engineering Division manages remodeling and construction of state buildings. Functions include overseeing the architect/engineer interview and selection process; planning both new and remodeling projects; administering and coordinating plan reviews; administering contracts with architects, engineers, and contractors; advertising, bidding, and awarding construction contracts; disbursing building construction payments; and providing design services for small projects. The division also formulates a long-range building plan for legislative consideration each session.

Language

"The deletion of the personal services reduction in state special revenue is contingent on passage and approval of House Bill 5."

"[The appropriation for the Capitol Restoration Commission] is contingent on passage and approval of House Bill 500."

"[The appropriation for an expanded Long-Range Building program] is contingent on passage and approval of House Bill 5."

These bills were signed into law.

ARCHITECTURE & ENGINEERING PROGRAM

- 1) HB5 - Expanded Long-Range Building Program - The legislature added \$51,242 in operating costs in fiscal 1992 and \$53,670 in fiscal 1993 and the same amounts in the transfer category to fund a long-range building program that has more projects than those approved by the legislature in recent years. This appropriation is contingent on passage and approval of House Bill 5, the long-range building bill.
- 2) HB500 - Capitol Restoration Commission - This budget modification adds \$11,634 state special revenue each year in operating costs to fund the Capitol Restoration Commission established in House Bill 500. The Commission is administratively attached to the Department of Administration and the state architect shall serve on the committee and assist it with technical support. Funds to support ongoing restoration of the capitol are to be raised from the private sector. The appropriation is contingent on passage and approval of House Bill 500.

Funding

The program is funded from the long-range building cash account. This account receives 29.11 percent of the cigarette tax, interest from investments, and the supervisory fees which the division collects for assisting with building projects other than those authorized as part of the Long Range Building program. The amount needed to operate the division is transferred from the long range building cash account to the state special revenue account. The fiscal 1990 expenditures are not equally divided between state special revenue and the capital projects fund, as there was cash remaining in the state special revenue fund from fiscal 1989 and, therefore, not as much transfer authority was needed or used in fiscal 1990.

The Capitol Restoration Commission is funded by state special revenue consisting of donations from the private sector.

PROCUREMENT & PRINTING DIVISION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	55.50	58.50	58.50	.00	62.50	62.50	.00	3.00
Personal Services	1,195,584	1,501,138	1,441,093	60,045-	1,582,444	1,519,145	63,299-	20.53%
Operating Expenses	7,356,566	8,663,199	8,372,776	290,423-	8,923,096	8,709,666	213,430-	13.81%
Equipment	115,105	112,231	111,573	658-	76,596	77,254	658	-3.07%
Debt Service	27,632	126,528	126,528	0	126,528	126,528	0	357.90%
Total Costs	\$8,694,887	\$10,403,096	\$10,051,970	\$351,126-	\$10,708,664	\$10,432,593	\$276,071-	15.61%
Fund Sources								
General Fund	381,427	434,297	420,824	13,473-	434,914	421,166	13,748-	10.33%
Proprietary Fund	8,313,460	9,968,799	9,631,146	337,653-	10,273,750	10,011,427	262,323-	15.85%
Total Funds	\$8,694,887	\$10,403,096	\$10,051,970	\$351,126-	\$10,708,664	\$10,432,593	\$276,071-	15.61%

Program Description

The Procurement and Printing Division has three bureaus that manage specific division activities. The Publications and Graphics Bureau provides printing, duplicating, computerized typography, layout and design, graphic and illustrative art, forms design, photo-reprographics, binding and quick copy, and photocopier pool services for state agencies. The Property and Supply Bureau purchases, stocks, and sells office supplies, paper, janitorial supplies, and packaged computer software to state agencies and administers the sale of state and federal surplus property no longer needed by state agencies. The Purchasing Bureau manages the centralized purchasing for state agencies. The bureau investigates possible sources for products, determines alternate product possibilities, prepares specifications, and enforces the terms and conditions outlined in purchase orders. The bureau provides technical assistance to and ensures compliance with purchasing law and rule for agencies with delegated purchasing authority.

Legislative Intent

"Funds appropriated for private vendor pass-through printing of \$3,412,515 in fiscal 1992 and \$3,543,765 in fiscal 1993 are not to be used for any other purpose." Pass-through printing are jobs let to private firms.

PROCUREMENT & PRINTING DIVISION

Budget

FTE increase a net of 3.0 positions due to: 1) 4.0 FTE added to continue the expanded federal surplus property program, authorized by House Bills 691 and 772 passed by the 1989 legislature (not reflected in the 1990 totals); and 2) 1.0 FTE transferred from the Property and Supply Bureau to the Information Services Division to manage the term contract for computer equipment. FTE increase between fiscal 1992 and 1993, since a cyclical adjustment adds 4.0 FTE in fiscal 1993 to manage the printing workload generated by the legislative session.

Personal services increase 20.5 percent due to: 1) the federal surplus property program (which is not reflected in fiscal 1990 costs) adds \$98,287 in fiscal 1992 and \$98,063 in fiscal 1993; 2) vacancy savings in fiscal 1990; and 3) continuation of the fiscal 1991 pay plan.

The operating budget increases 13.8 percent and equipment declines 3.1 percent. Changes in each of these categories are shown for each program in the Procurement and Printing Division (see the following table).

Debt service increases 357.9 percent to finance 12 copiers located throughout state agencies and a Xerox 9500 machine. Debt service is funded through agency photocopy fees for use of photocopy pool machines. The photocopy pool is managed by the Publications and Graphics Bureau.

PROCUREMENT & PRINTING DIVISION

Table 2
Procurement and Printing Division 1993 Biennium Budget Compared To Fiscal 1990 Actual Expenditures

<u>Section/Expenditure</u>	<u>Fiscal 1990 Actual</u>	<u>-----Legislature----- Fiscal 1992</u>	<u>-----Fiscal 1993</u>	<u>Percent Change 1990 to 1992</u>
Publication and Graphics				
FTE	26.83	26.33	30.33	-0.5
Proprietary	\$5,161,713	\$5,497,464	\$5,802,647	6.50%
Property and Supply				
FTE	16.34	19.84	19.84	3.5
Proprietary	\$3,151,747	\$4,133,682	\$4,208,780	31.16%
Purchasing				
FTE	12.33	12.33	12.33	0.0
General Fund	\$381,427	\$420,824	\$421,166	10.33%
Total				
FTE	55.50	58.50	62.50	3.0
General Fund	\$381,427	\$420,824	\$421,166	10.33%
Proprietary	8,313,460	9,631,146	10,011,427	15.85%
Total	\$8,694,887	\$10,051,970	\$10,432,593	15.61%

The Publications and Graphics Bureau budget increases 6.5 percent from fiscal 1990 to fiscal 1992. Fiscal 1992 FTE are lower than in fiscal 1990 as a 0.5 FTE programmer analyst was transferred to the Property and Supply Bureau, while FTE increase by 4.0 in fiscal 1993 due to the printing workload associated with the legislative session. Personal services costs increase by \$74,566 in fiscal 1992 and \$157,006 in fiscal 1993 due to: 1) additional overtime expenditures of \$6,467 in fiscal 1992 and \$21,939 in fiscal 1993; 2) the cyclical cost effects of the legislative session in fiscal 1993; 3) vacancy savings in fiscal 1990; and 4) continuation of the fiscal 1991 pay plan in the 1993 biennium.

Publications and Graphics Bureau operating cost increases include: 1) pass through printing of \$131,251 in fiscal 1992 and \$262,501 in fiscal 1993; 2) paper for resale of \$57,126 in fiscal 1992 and \$124,381 in fiscal 1993; 3) maintenance costs of \$11,971 in fiscal 1992 and \$23,941 in fiscal 1993; 4) the fiscal 1992 biennial appropriation for the legislative audit of \$9,246 compared to fiscal

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PROCUREMENT & PRINTING DIVISION

Funding

The Publications and Graphics and Property and Supply bureaus are funded with proprietary funds through sale of goods or services to other state agencies and local governments. The Purchasing program is funded by general fund.

COMPUTER SERVICES

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	115.95	105.75	99.50	6.25-	105.75	99.50	6.25-	-16.45
Personal Services	3,167,058	3,473,290	3,222,401	250,889-	3,470,385	3,221,307	249,078-	1.75%
Operating Expenses	2,165,619	3,627,028	3,628,451	1,423	3,892,808	3,619,448	273,360-	67.55%
Equipment	926,819	1,516,613	1,195,162	321,451-	1,467,224	1,158,044	309,180-	28.95%
Transfers	197,912	0	0	0	0	0	0	-100.00%
Debt Service	1,439,075	1,503,166	1,803,166	300,000	1,503,166	1,803,166	300,000	25.30%
Total Costs	\$7,896,483	\$10,120,097	\$9,849,180	\$270,917-	\$10,333,583	\$9,801,965	\$531,618-	24.73%
Fund Sources								
General Fund	197,912	0	0	0	0	0	0	-100.00%
Proprietary Fund	7,698,571	10,120,097	9,849,180	270,917-	10,333,583	9,801,965	531,618-	27.94%
Total Funds	\$7,896,483	\$10,120,097	\$9,849,180	\$270,917-	\$10,333,583	\$9,801,965	\$531,618-	24.73%

Program Description

The Computer Services program manages centralized data processing services including: 1) central mainframe computer processing; 2) shared statewide data communications network services accessing the central mainframe; 3) data processing planning, coordination, and control of equipment and software acquisitions; 4) design, development, and continuous maintenance support of data processing applications; 5) data processing training; 6) microcomputer and office automation support and consultation; 7) disaster recovery facilities for critical data processing applications; and 8) administration of the Information Services Division.

Language

"[The budget modification for the Department of Family Services computer system] is contingent on passage and approval of House Bill No. 569." This bill was signed into law.

Legislative Intent

The department is directed to submit the Information Services Division (ISD) 1995 biennium budget request in separate components with a component for each bureau within the division, showing actual expenditures and the budget request.

COMPUTER SERVICES

It is the intent of the legislature that the department reduce 1.0 grade 16 step 2 FTE by 0.5 in the Application Services Bureau 1995 biennium budget request to reflect the level of ongoing support necessary for the Regents Employees Reporting System (RERS).

It is the intent of the legislature that the biennial appropriation of \$200,000 for contracted services for computer system development not be used for any other purpose.

Budget

FTE decline a net of 16.45 between fiscal 1990 and 1992. Budget modifications add 5.0 FTE in fiscal 1992 and 6.0 in fiscal 1993, and 1.0 FTE was transferred to Computer Services from the Purchasing Bureau to manage the computer purchasing term contract. The offsetting 22.45 FTE reduction includes: 1) the State Agency Records Management program (8.25 FTE) was transferred by the 1991 legislature to the Secretary of State's Office; 2) 11.2 data entry FTE are removed due to privatization of the service; 3) 2.0 FTE are removed per intent of the 1989 legislature as SBAS on-line edit and entry reduced workload; and 4) 1.0 FTE was transferred to the Telecommunications Bureau.

Personal services increase 1.8 percent despite the decline in FTE due to: 1) budget modifications which add \$151,833 in fiscal 1992 and \$179,315 in fiscal 1993; 2) grade and step changes authorized to recruit and retain staff; 3) vacancy savings in fiscal 1990; and 4) continuation of the fiscal 1991 pay plan in the 1993 biennium.

The operating budget increases 67.6 percent due to: 1) budget modifications, which add \$514,600 in fiscal 1992 and \$504,200 in fiscal 1993; 2) software replacement and rental of \$405,303 in fiscal 1990 and \$490,122 in fiscal 1993, as such activity had been curtailed in fiscal 1990 due to cash flow deficiencies and delay in TEAMS (automated eligibility determination system to be installed in all county welfare offices); 3) increased data entry contracts of \$151,800 per year; 4) authorization of a \$200,000 biennial appropriation for contract system development if necessary; 5) an increase of about \$104,000 in fiscal 1992 and \$223,000 in fiscal 1993 to fund software upgrades; 6) an increase in communications to fund local and long distance data circuits of \$77,412 in fiscal 1992 and \$79,032 in fiscal 1993; 7) the legislative audit in fiscal 1992 of \$38,420 compared to a fiscal 1990 expenditure of \$22,917; and 8) other fixed cost and inflationary adjustments. Transfer of the state agency Records Management program to the Secretary of State's Office reduces operating costs about \$98,000 each year.

Budget modifications add \$1,287,405 in equipment over the biennium to fund an upgrade to the computer that operates the Criminal Justice Information Network and the Montana Motor Vehicle Registration System, computers and other equipment for the expansion in network services. Equipment also includes: upgrades for software packages run on the state mainframe; replacement of disk drives and magnetic tape drives; upgrades to the diagnostic equipment for data network line and protocol problems; network software, modems, and network components; and an upgrade to the Justice computer controller (unrelated to the budget modification).

Transfers are not budgeted in the 1993 biennium. Fiscal 1990 transfers included a biennial appropriation of general fund (\$625,000) to study and implement a uniform position/payroll/personnel system for the university system (RERS). Generally accepted accounting principles direct the transfer to properly record such expenditures. Ongoing RERS expenditures will be funded by payments from the university system to Computer Services.

COMPUTER SERVICES

3) ISD: Networks - This modification adds 3.0 FTE and \$1.6 million in proprietary funds to continue implementation and support of statewide network connectivity to the mainframe computer. Equipment purchases comprise the largest share of the budget (\$1.1 million). A buried fiber optic cable will be laid throughout the capitol area complex in Helena to link most state buildings to the network. Other planned purchases include equipment to connect agencies to the statewide network and communication software components for personal computers.

The legislature adopted the Executive proposal to finance network services with a new rate structure that replaces subscription rates funded in 1991 biennium appropriations. Previously, ISD charged agencies \$20 per personal computer per month or negotiated a flat rate for personal computer support services. The new network rate, included in all agency budgets, is \$40 per month per personal computer and \$30 per month per work station terminal.

4) Data Processing Disaster Back-up - This modification includes \$323,000 in proprietary funds over the biennium to purchase off-site processing capabilities in the event that a disaster disables the state mainframe computer, including \$35,000 in equipment in fiscal 1992. The back-up capability is required by federal standards for TEAMS, an on-line eligibility determination system being installed in all counties during the 1993 biennium by the Department of Social and Rehabilitation Services. TEAMS will allow counties workers to access the programs on the state mainframe computer via local terminals to determine public assistance benefits eligibility.

5) HB569 - Family Services Computer System - This budget modification funds 2.0 FTE in fiscal 1992 and 3.0 in fiscal 1993 as well as operating and equipment costs to plan, design, develop, and implement a management information system for the Department of Family Services. This appropriation is contingent on passage and approval of House Bill 569 and House Bill 461.

Funding

The Computer Services program is supported by proprietary fees.

TELECOMMUNICATIONS

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
FTE	16.64	19.64	19.64	.00	19.64	19.64	.00	3.00
Personal Services	562,300	659,202	632,833	26,369-	658,524	632,184	26,340-	12.54%
Operating Expenses	4,757,126	5,052,815	5,062,675	9,860	5,113,843	5,103,983	9,860-	6.42%
Equipment	340,159	439,000	439,000	0	439,000	439,000	0	29.06%
Capital Outlay	1,761	0	0	0	0	0	0	-100.00%
Debt Service	2,072,816	2,905,953	2,905,953	0	2,359,303	2,359,303	0	40.19%
Total Costs	\$7,734,162	\$9,056,970	\$9,040,461	\$16,509-	\$8,570,670	\$8,534,470	\$36,200-	16.89%
<u>Fund Sources</u>								
Proprietary Fund	7,734,162	9,056,970	9,040,461	16,509-	8,570,670	8,534,470	36,200-	16.89%
Total Funds	\$7,734,162	\$9,056,970	\$9,040,461	\$16,509-	\$8,570,670	\$8,534,470	\$36,200-	16.89%

Program Description

The Telecommunications Bureau services include: 1) local and long distance telephone networking; 2) design and development of telephone equipment, networking applications, and other telecommunications needs; and 3) radio frequency coordinating liaison with local government.

Legislative Intent

The department is directed to submit the Information Services Division 1995 biennium budget request in separate components with a component for each bureau within the division, showing actual expenditures and the budget request.

Budget

FTE increase by 3.0 positions due to: 1) a budget modification which adds 1.0 FTE; 2) transfer of 1.0 FTE from the Director's Office to manage the accounting for university student long distance service implemented in the fall of 1990; and 3) transfer of 1.0 FTE from the Computer Services Bureau.

TELECOMMUNICATIONS

Personal services increase 12.5 percent due to: 1) a budget modification which adds 1.0 FTE and \$31,356 in fiscal 1992 and \$31,284 in fiscal 1993; 2) transfer of 2.0 FTE from other programs; 3) vacancy savings in fiscal 1990; and 4) continuation of the fiscal 1991 pay plan in the 1993 biennium.

The operating budget increases 6.4 percent due to: 1) two budget modifications, which add \$374,412 in fiscal 1992 and \$349,487 in fiscal 1993; 2) the legislative audit in fiscal 1992 of \$19,720, compared to fiscal 1990 expenditures of \$5,530 and a 1991 biennial appropriation of \$17,484; and 3) other fixed cost and inflationary adjustments. Operating cost increases were offset by reductions of \$101,589 in fiscal 1992 and \$97,805 in fiscal 1993 due to legislative approval of the expenditure level included in the Executive Budget, which was based on the fiscal 1991 appropriation rather than actual expenditures in fiscal 1990 (which were higher).

Equipment includes replacement of communication and computer equipment. A budget modification adds \$229,000 each year to upgrade and maintain telephone switching systems.

Capital outlay represents a one-time remodeling cost.

Debt service includes payments for telephone and computer equipment which decline in fiscal 1993 due to completion of payments to the reserve account for telephone equipment lease participation certificates.

House Bill 30 passed by the legislature creates an educational telecommunications network. The bill appropriates funds to the Information Services Division to manage the network (see the agency narrative for a more detailed description of the legislation). The division is also appropriated operating expenses from fees assessed higher education students and a fee of \$1 per ANB appropriated from the state equalization aid account. In addition, the division is appropriated \$300,000 general fund each year of the biennium contingent on the availability of \$150,000 each year in cash or equipment funded by federal or other funds. If such matching funding is not available, the general fund appropriation is reduced in proportion to the amount of matching funds available, with the balance of the appropriation to be reverted to the general fund. The fiscal note anticipates that ISD would hire 1.0 additional FTE to administer the provisions of House Bill 30.

TELECOMMUNICATIONS

Budget Modifications

<u>Modification Type</u>	<u>-----Executive-----</u>			<u>-----Legislature-----</u>				
	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>	<u>Total</u> <u>92-93</u>	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>	<u>Total</u> <u>92-93</u>
1) Public Safety Communication				\$ 139,000				\$ 139,000
2) Student Long Distance	1.0	1.0		650,149	1.0	1.0		647,539
3) Telephone System Upgrades	---	---	---	<u>458,000</u>	---	---	---	<u>458,000</u>
Total	1.0	1.0	\$0	\$1,247,149	1.0	1.0	\$0	\$1,244,539

1) Public Safety Communication - This modification implements recommendations of the Public Safety Communications Task Force to acquire communication equipment as deemed necessary by the task force; develop coordinated radio systems for state and local government; and continue mutual aid frequency use. The biennial cost of \$139,000 in proprietary funds is supported by fee income for radio transmissions on the statewide telecommunications network by all users.

2) Student Long Distance - In the 1990 fall quarter/semester, the university system, in conjunction with the department, initiated a program offering long-distance telephone services to students living in dormitory housing. Students use the state phone system for long-distance calls, billed at state rates. This modification includes \$647,539 in proprietary funds and 1.0 FTE to administer the software system that collects, costs, and distributes invoices for long-distance usage. Long-distance telephone rates for state agencies are reduced 3 percent in fiscal 1992 and 1993 as a result of increased system usage by students. In fiscal 1990, the department transferred 1.0 FTE to the Telecommunications Bureau to implement this program, in addition to the modified FTE, to manage the Student Long Distance program.

3) Telephone System Upgrades - This modification adds \$458,000 in proprietary funds for equipment purchases in the coming biennium to upgrade and maintain telephone switching systems. Upgrades are proposed for the Department of Highways, the Comprehensive State Mutual Insurance Fund, the Armory, the Department of State Lands office in Missoula, Montana State Prison, and Western Montana College.

Funding

The program is funded by proprietary funds.

EMERGENCY 9-1-1

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	2.00	2.00	2.00	.00	2.00	2.00	.00	0.00
Personal Services	72,977	75,971	72,932	3,039-	75,856	72,822	3,034-	-.06%
Operating Expenses	<u>6,557</u>	<u>3,293</u>	<u>2,635</u>	<u>658-</u>	<u>3,462</u>	<u>3,890</u>	<u>428</u>	<u>-59.81%</u>
Total Costs	\$79,534	\$79,264	\$75,567	\$3,697-	\$79,318	\$76,712	\$2,606-	-4.99%
Fund Sources								
Proprietary Fund	<u>79,534</u>	<u>79,264</u>	<u>75,567</u>	<u>3,697-</u>	<u>79,318</u>	<u>76,712</u>	<u>2,606-</u>	<u>-4.99%</u>
Total Funds	\$79,534	\$79,264	\$75,567	\$3,697-	\$79,318	\$76,712	\$2,606-	-4.99%

Program Description

The Emergency 9-1-1 program manages the statewide 9-1-1 emergency telephone number program.

Legislative Intent

The department is directed to submit the Information Services Division 1995 biennium budget request in separate components with a component for each bureau within the division, showing actual expenditures and the budget request.

Budget

Personal services decrease 0.1 percent due to application of 4 percent vacancy savings.

The operating budget decreases 59.8 percent to keep program costs within the available revenue. The program is funded from a portion of the monthly 25 cent fee assessed on telephone subscribers across the state. The program may expend 7.0 percent of the quarterly fee collections or actual expenses (whichever is less) to administer this activity. For budgeting purposes, it is assumed that revenue is generated in equal quarterly installments. The assessment is estimated to generate \$1,122,942 in fiscal 1992 and \$1,139,227 in fiscal 1993. Seven percent of that amount is \$78,606 and \$79,746 respectively. The program expended \$3,167 more than the seven percent allocation of the phone tax revenue in fiscal 1990. The program used funds from the Computer Services appropriation to cover the shortfall.

EMERGENCY 9-1-1

Funding

The program is funded from a portion of the monthly 25 cent fee assessed on telephone subscribers across the state to implement the emergency 9-1-1 telephone service.

GENERAL SERVICES PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	45.00	20.00	20.00	.00	20.00	20.00	.00	-25.00
Personal Services	720,738	614,788	590,196	24,592-	617,185	592,498	24,687-	-18.11%
Operating Expenses	2,657,388	3,108,910	3,103,794	5,116-	3,203,385	3,194,929	8,456-	16.80%
Equipment	7,174	6,000	6,000	0	6,000	5,184	816-	-16.37%
Capital Outlay	1,538	0	0	0	0	0	0	-100.00%
Transfers	58,769	58,801	58,801	0	58,801	58,801	0	.05%
Total Costs	\$3,445,607	\$3,788,499	\$3,758,791	\$29,708-	\$3,885,371	\$3,851,412	\$33,959-	9.09%
<u>Fund Sources</u>								
General Fund	255,915	386,330	382,833	3,497-	397,165	393,573	3,592-	49.59%
Capital Projects Fund	58,769	58,801	58,419	382-	58,801	58,426	375-	-60%
Proprietary Fund	3,130,923	3,343,368	3,317,539	25,829-	3,429,405	3,399,413	29,992-	5.96%
Total Funds	\$3,445,607	\$3,788,499	\$3,758,791	\$29,708-	\$3,885,371	\$3,851,412	\$33,959-	9.09%

Program Description

The General Services Division manages repair and maintenance services for state agencies in the capitol complex and several state-owned buildings in the Helena area (Section 2-17-111, MCA). The program also provides locksmith services, painting, remodeling, and construction services. The program supervises contracts for services for state-owned buildings, including mechanical maintenance, pest control, janitorial services, elevator repair, security, maintenance, and garbage collection.

Language

"Funds remaining in the capitol land grant account of the capital projects fund, after the appropriations are met for the general services division of the department of administration and any projects provided for in House Bill 5, are appropriated to the long-range building debt service fund for the payment of principal and interest on bond issues for public buildings at the capitol for executive, legislative, and judicial purposes, as outlined in section 12 of the Enabling Act. This appropriation is for the biennium ending June 30, 1993, and is not to exceed the annual debt service required on these bonds."

"The appropriation in [General Services program] in the other column includes \$58,801 in fiscal 1992 and \$58,801 in fiscal 1993 from the capital projects fund."

GENERAL SERVICES PROGRAM

"In [the General Services program], the department may charge a maximum of \$3.28 per square foot in fiscal 1992 and \$3.34 per square foot in fiscal 1993 for office space in state-owned buildings."

"[The appropriation for utilities costs] may only be used to pay utilities costs."

Budget

FTE decline 25.0 positions due to contracting with private firms for the provision of janitorial and capitol security services. Beginning in fiscal 1990, the division reduced 15.0 FTE and contracted with vendors to provide janitorial services in the capitol complex. In early fiscal 1991, the division eliminated 10.0 FTE and contracted for the provision of security services in the capitol complex. These changes were authorized by Section 7 of House Bill 100, which allows agencies to move personal services funds to contracted services if the same functions can be provided at a lower cost. The Legislative Auditor estimates that cost savings realized from contracting these services will be \$302,492 during the 1993 biennium.

Personal services decrease 18.1 percent due to reductions in FTE and application of 4 percent vacancy savings.

The operating budget increases 16.8 percent due to: 1) contracted services of \$147,493 each year for capitol security services; 2) an increase in contracted janitorial services of \$73,803 in fiscal 1992 and \$262,792 in fiscal 1993 (the higher cost in the second year is due to additional services required during the legislative session and inflationary increases in the price of contracts); 3) utility costs of \$94,182 in fiscal 1992 and \$94,938 in fiscal 1993, intended to compensate for a utilization increase in electricity and to allow additional utilities funds; 4) an increase of \$11,038 each year for supplies; 4) the legislative audit in fiscal 1992 of \$7,672 compared to actual expenditures of \$1,996 in fiscal 1990 and a 1991 biennium appropriation of \$6,309; 5) an increase of \$5,536 per year in travel for the lease facility manager who provides assistance to state agencies outside of the capitol complex in securing office space; and 6) other fixed cost and inflationary adjustments, including utilities which adds \$58,205 in 1992 and \$77,594 in fiscal 1993. An accounting adjustment, required by generally accepted accounting principles, and necessary to move the general fund into the proprietary program, adds \$129,423 in fiscal 1992 and \$140,180 in fiscal 1993. Operating cost increases are partially offset by a reduction to the fiscal 1990 base of \$143,854 to remove one-time expenditures for repair and maintenance and contracted services. The legislature directed that funds appropriated for utility costs not be expended for any other costs.

Equipment includes a sound system, replacement chairs and a conference table, two personal computers, and software upgrades.

Transfers move capital projects fund into the proprietary operation. Generally accepted accounting principles direct this transfer to properly record proprietary funded operations.

GENERAL SERVICES PROGRAM

Funding

Program funding is a combination of general fund, capital projects funds, and proprietary funds. Authority from the capital building account (\$58,419) in the capital projects fund is appropriated to the division in lieu of charging agencies for services. These funds are used to support capital building maintenance projects, prioritized and approved by the department director. In fiscal 1990, the cost of such maintenance projects was slightly less than the \$58,801 appropriation.

General fund is appropriated to the division in lieu of charging agencies for the "common areas" in the capitol complex, such as legislative space in the capitol, museum space in the Historical Society, and the Governor's executive residence. The general fund amount is calculated at 12 percent of operating costs after deducting the operating transfer for capitol land grant funds, the expenditure authority for the capitol land grant funds, and expenditure authority for the special projects, but not including any proposed pay plan increases.

General fund is transferred to the proprietary account as rental expense, which is done to comply with generally accepted accounting principles. The general fund expenditure was \$255,915 in fiscal 1990, 33 percent less than appropriated. The under expenditure was due primarily to utilities costs that were lower than budgeted. The general fund allocation remains at 12 percent of costs after other deductions, and increases between fiscal 1990 and 1992 due to the overall budget increase and under-expenditure of the appropriated amount in fiscal 1990.

The primary proprietary funding source is rental income from state agencies, deposited to the proprietary account. The rental rate is assessed against the square footage of space occupied by each agency. The rate is based on the operating costs of the division (before pay plan), less the other funding sources. The remaining operating costs are then divided by the occupied square footage in the capitol complex (848,440 square feet) to determine the rate per square foot.

The second proprietary funding source is direct reimbursement from agencies for special projects, apart from routine maintenance. If special project costs are not incurred, the revenue will not be received. The legislature authorized a funding and expenditure level of \$60,000 for projects funding compared to the amount appropriated by the 1989 legislature of \$50,000.

MAIL & DISTRIBUTION BUREAU

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	9.75	11.25	11.25	.00	11.25	11.25	.00	1.50
Personal Services	188,461	223,254	214,324	8,930-	227,241	218,151	9,090-	13.72%
Operating Expenses	1,117,254	1,426,559	1,602,975	176,416	1,426,858	1,598,170	171,312	43.47%
Equipment	530	0	6,500	6,500	0	6,500	6,500	1126.42%
Total Costs	\$1,306,245	\$1,649,813	\$1,823,799	\$173,986	\$1,654,099	\$1,822,821	\$168,722	39.62%
Fund Sources								
Proprietary Fund	1,306,245	1,649,813	1,823,799	173,986	1,654,099	1,822,821	168,722	39.62%
Total Funds	\$1,306,245	\$1,649,813	\$1,823,799	\$173,986	\$1,654,099	\$1,822,821	\$168,722	39.62%

Program Description

The Central Mail Bureau manages central mail service for state agencies (Section 2-17-301, MCA). Both incoming U.S. mail and inter-office mail are routed and delivered by this bureau, which also picks up and processes outgoing mail for user agencies. The program manages the post office in the capitol building.

Language

"The department may charge a maximum overhead rate of 6 percent each year in (the Mail and Distribution program)." Overhead is the mark-up above the cost of a presorted first-class bulk mail rate that agencies must pay to Central Mail for services.

Budget

FTE increase 1.5 due to transfers from the following programs: 1) 0.75 FTE from Accounting and Management Support; 2) 0.5 from State Tax Appeal Board; and 3) 0.25 from the Architecture and Engineering Division.

Personal services increase 13.7 percent due to: 1) the transfer of FTE from other programs, which adds \$27,074 in fiscal 1992 and \$27,072 in fiscal 1993; 2) approval of overtime expenditures of \$771 in fiscal 1992 and \$4,457 in fiscal 1993 (fiscal 1993 is higher due to the capitol post office being open more hours during the legislative session); 3) vacancy savings in fiscal 1990; and 4) continuation of the fiscal 1991 pay plan.

MAIL & DISTRIBUTION BUREAU

The operating budget increases 43.5 percent due to: 1) a budget modification, which adds \$174,087 each year; 2) an increase in postage costs of \$69,000 each year and postage inflation which adds \$230,386 each year; 3) the legislative audit in fiscal 1992 of \$3,526 compared to a fiscal 1990 expenditure of \$785 and 1991 biennium appropriation of \$2,484; 4) \$3,500 more in printing of deadhead envelopes in fiscal 1992; 4) increased equipment maintenance costs of \$2,133 in fiscal 1992 and \$3,128 in fiscal 1993; 5) an increase in out-of-state travel to evaluate equipment for mail bar coding which may be instituted by the U.S. Post Service, which adds \$900 in fiscal 1992 and \$1,763 in fiscal 1993; 6) an annual increase in motor pool costs for rental of a van which adds \$1,075 each year; and 7) other fixed cost and inflationary adjustments.

Equipment includes replacement of one postage machine each year authorized by a budget modification discussed below.

Budget Modifications

Modification Type	-----Executive-----			-----Legislature-----		
	FTE FY92	FTE FY93	G. Fund 92-93	Total 92-93	FTE FY92	FTE FY93
1) Postage Machines*				\$13,000		
2) Expanded Mail Services*				348,174		
Total	0.0	0.0	\$0	\$361,174	0.0	0.0
				\$13,000		
				348,174		
				\$361,174		

*These budget modifications were not included in the printed Executive Budget but were submitted as part of the revised Executive request.

1) New Postage Machines - The budget modification adds \$13,000 in proprietary funds over the biennium to replace postage machines. One replacement machine will be purchased each year.

2) Additional Services - This budget modification adds \$174,087 each year of the biennium to cover the cost of outgoing mail services, extended to the Departments of Highways and Health and Environmental Services during the 1991 biennium.

Funding

The program is funded by proprietary funds from four sources. The first source--deadhead mail--is recovered from a fee assessed each state agency for internal mail sorting and delivery. The fee is based on the number of pieces of mail generated by the agency and the number of stops bureau personnel must make within each agency. Volume is determined by a piece count done each biennium. The bureau estimate for deadhead mail revenue is \$133,353 per year.

The second funding source is a contract with the U.S. Postal Service for \$38,976 annually to cover the cost of operating the Capitol post office and other services.

MAIL & DISTRIBUTION BUREAU

Actual postage and shipping costs, the third revenue source, are recovered from agencies and deposited to proprietary account. This revenue source should equal expenses recorded in postage costs, which are budgeted to be \$1,382,315 each year of the biennium.

The fourth source of revenue is the overhead cost recovered on postage services for outgoing U.S. mail and is limited to 6 percent by House Bill 2. Overhead is the "mark-up" cost that the bureau adds to the cost of mailing a presorted letter.

STATE PERSONNEL DIVISION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	38.00	38.00	38.00	.00	38.00	38.00	.00	.00
Personal Services	1,009,895	1,123,962	1,079,003	44,959-	1,123,137	1,078,211	44,926-	6.84%
Operating Expenses	325,520	391,201	417,471	26,270	386,576	413,014	26,438	28.25%
Equipment	2,346	8,445	10,642	2,197	7,019	10,142	3,123	353.62%
Debt Service	1,807	0	0	0	0	0	0	-100.00%
Total Costs	\$1,339,568	\$1,523,608	\$1,507,116	\$16,492-	\$1,516,732	\$1,501,367	\$15,365-	12.51%
<u>Fund Sources</u>								
General Fund	859,432	955,478	922,039	33,439-	953,340	917,491	35,849-	7.28%
State Revenue Fund	0	10,000	10,000	0	10,000	10,000	0	.00%
Proprietary Fund	480,136	558,130	575,077	16,947	553,392	573,876	20,484	19.77%
Total Funds	\$1,339,568	\$1,523,608	\$1,507,116	\$16,492-	\$1,516,732	\$1,501,367	\$15,365-	12.51%

Program Description

The State Personnel Division provides state agencies with a comprehensive program of personnel administration including: position classification, collective bargaining and labor relations, group benefits plans, compensation plan and rules, deferred compensation, training, employee incentive awards, sick leave fund, equal employment and affirmative action, and health education. The division publishes state rules and policies relating to recruitment, selection, discipline, grievance, performance appraisal, leave, affirmative action, and other personnel matters.

Language

"[The genetics program appropriation] is contingent on passage and approval of House Bill No. 696." This bill was signed into law.

Budget

Personal services increase 6.8 percent due to: 1) vacancy savings in fiscal 1990; and 2) continuation of the fiscal 1991 pay plan in the 1993 biennium.

STATE PERSONNEL DIVISION

The operating budget increases 28.2 percent and equipment increases 353.6 percent. Changes in each of these budget categories are explained in the relevant program (see the following table).

Debt service funded equipment in the Training program with the final payment in fiscal 1990.

Table 1

State Personnel Division 1993 Biennium Budget Compared to Fiscal 1990 Actual Expenditures

Section/Expenditure	Fiscal 1990 Actual	-----Legislature-----		Change 1990 to 1992
		Fiscal 1992	Fiscal 1993	
Personnel Admin.				
FTE	27.0	27.0	27.0	0.0
General Fund	\$832,915	\$891,535	\$889,130	7.04%
State Special Revenue		10,000	10,000	100.00%
Subtotal				
	\$832,915	\$901,535	\$899,130	8.24%
Employee Benefits				
FTE	8.0	8.0	8.0	0.0
General Fund	\$26,517	\$30,504	\$28,361	15.04%
Proprietary	318,596	373,436	360,066	17.21%
Subtotal				
	\$345,113	\$403,940	\$388,427	17.05%
Training				
FTE	3.0	3.0	3.0	0.0
Proprietary	\$161,540	\$201,641	\$213,810	24.82%
Total				
FTE	38.0	38.0	38.0	0.0
General Fund	\$859,432	\$922,039	\$917,491	7.28%
State Special Revenue	0	10,000	10,000	100.00%
Proprietary	480,136	575,077	573,876	19.77%
Total				
	\$1,339,568	\$1,507,116	\$1,501,367	12.51%

STATE PERSONNEL DIVISION

Personnel Administration increases 8.2 percent from fiscal 1990 to 1992. Most of the increase is in personal services due to vacancies in fiscal 1990 and continuation of the 1991 pay plan in the 1993 biennium. Operating costs increase slightly due to: 1) a budget modification which includes \$10,000 each fiscal year to operate the combined giving campaign; 2) an increase in contracted services for classification reviews of \$2,908 in fiscal 1992 and \$3,145 in fiscal 1993; 3) an increase in travel of \$2,694 each year of the biennium; and 4) other inflationary adjustments and fixed costs. Equipment includes replacement of two personal computers in fiscal 1992 and one in fiscal 1993. The program is funded by general fund and state special revenue for the combined giving campaign activities.

The current level budget for the Employee Benefits program increases 17.0 percent from fiscal 1990 to fiscal 1992. Fiscal 1992 personal services are higher than fiscal 1990 expenditures due to: 1) approval of \$400 in overtime each year; 2) vacancy savings in fiscal 1990; and 3) a reallocation of expenses. A 0.5 FTE was transferred between this program and Personnel Administration to accurately reflect program supervision responsibilities. The position transferred to the Employee Benefits program is paid at a higher rate than the 0.5 FTE transferred to Personnel Administration, accounting for about \$4,000 of the difference.

The Employee Benefits program operating budget increases due to: 1) approval of two budget modifications which add \$64,752 in fiscal 1992 and \$49,752 in fiscal 1993; and 2) fixed cost and inflationary adjustments. Some of the operating increase is offset by removal of one-time expenditures for system development, postage, and assessments against insurance policies to fund a genetics program of about \$28,500. Equipment includes replacement of one personal computer each year. The program is funded mostly from the group benefits administration account, which receives revenue from investment earnings from the state health self-insurance fund. General fund supports portions of the salaries of 2.0 FTE and associated operating expenses for the administration of the state pay plan, salary survey activity, and the employee incentive awards program, which provides cash bonuses to state employees whose cost-saving suggestions are implemented.

The Training program budget increases 24.8 percent from fiscal 1990 to 1992. Fiscal 1992 personal services costs increase due to vacancy savings in fiscal 1990 and the continuation of the fiscal 1991 pay plan in the 1993 biennium. Operating costs increase due to a budget modification for increased expenses due to program growth and small increases in the current level budget as annual expenses are expected to be higher now that the program is fully staffed. Equipment includes training films and a personal computer in fiscal 1993. Debt-financed payments for equipment purchases were completed in fiscal 1990.

The program is funded from training fees charged to state agencies and other entities which send staff to classes. The increase in operating, equipment, and personal services costs will be recouped through additional revenue generated by the program.

The division also received an appropriation in House Bill 509 (pay plan bill) of \$73,200 general fund for the fiscal year ending June 30, 1993 (fiscal 1992) for changes needed to the payroll, personnel, and position system to implement House Bill 509. Any unexpended portion of the appropriation is reappropriated for fiscal 1993.

STATE PERSONNEL DIVISION

Budget Modifications

Modification Type	-----Executive-----			-----Legislative-----				
	FTE FY92	FTE FY93	G. Fund 92-93	Total 92-93	FTE FY92	FTE FY93	G. Fund 92-93	Total 92-93
1) System Enhancements				58,000				58,000
2) Combined Campaign				20,000				20,000
3) Professional Development Center*				30,292				30,292
4) Communications for Group Insurance Requirements				16,000				16,000
5) HB696 - Genetics Program								40,504
Total	0.0	0.0	\$0	\$124,292	0.0	0.0	\$0	\$164,796

*This budget modification was \$2,500 lower in the printed Executive Budget. The Executive request was increased to purchase a replacement computer.

1) System Enhancements - The 1989 legislature approved a budget modification to integrate employee benefit information into the computerized central payroll system. The data processing and system development costs of \$58,000 in this budget modification continue system development and operate that portion of the system during the next biennium. The bulk of expenditure (\$34,000) would occur in fiscal 1992 as final system modifications are implemented. The source of authority is proprietary funds. Complete integration of employee benefit information into central payroll will help accurately track employee eligibility for benefits.

2) Combined Campaign - The department coordinates a combined giving campaign in which charities meeting specified criteria can solicit contributions from state employees. The charities will pay a fee to the department for printing, postage, and other operating expenses to distribute informational materials and pledge cards. The cost to operate the combined campaign included is \$20,000 in state special revenue over the biennium. The department has coordinated the printing with private vendors in fiscal 1991 with charities directly reimbursing printing vendors.

3) Professional Development Center - Fees collected by the Professional Development Center, which provides and coordinates management and organizational training, are projected to grow 5 percent annually over the coming biennium. This budget modification includes \$30,292 in proprietary authority to cover the cost of workload growth.

STATE PERSONNEL DIVISION

4) Communications for Group Insurance Requirements - This budget modification includes \$16,000 in group benefit administration proprietary funds to publish a biannual newsletter to inform employees of benefit changes and other information.

5) HB696 - Genetics Program - This budget modification adds \$20,252 proprietary funds each year of the biennium so that the state employee self-insured health insurance program can pay the 70 cent fee for each Montana resident insured under the group health plan. The fee supports continuation of the statewide genetics program administered by the Department of Health and Environmental Sciences.

Funding

General fund supports Personnel Administration and portions of 2.0 FTE and associated operating costs in the Employee Benefits program. Proprietary funds support two programs: 1) interest from the state health self-insurance premium fund supports most functions in the Employee Benefits program; and 2) training fees and income support the Training program. State special revenue supports the combined giving campaign.

TORT CLAIMS DIVISION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	10.50	11.00	12.50	1.50	11.00	12.50	1.50	2.00
Personal Services	299,175	351,844	396,724	44,880	351,584	396,335	44,751	32.61%
Operating Expenses	799,134	2,651,506	2,200,041	451,465-	2,707,692	2,254,367	453,325-	175.30%
Equipment	4,151	0	11,403	11,403	0	2,500	2,500	174.70%
Transfers	1,170,567	0	0	0	0	0	0	-100.00%
Total Costs	\$2,273,027	\$3,003,350	\$2,608,168	\$395,182-	\$3,059,276	\$2,653,202	\$406,074-	14.74%
<u>Fund Sources</u>								
Proprietary Fund	2,273,027	3,003,350	2,608,168	395,182-	3,059,276	2,653,202	406,074-	14.74%
Total Funds	\$2,273,027	\$3,003,350	\$2,608,168	\$395,182-	\$3,059,276	\$2,653,202	\$406,074-	14.74%

Program Description

The Tort Claims Division provides for the investigation, defense, and payment of bodily injury and property damage claims incurred by all agencies, officers, and employees of the State of Montana. The division also assesses the fire, casualty, bond, and liability risks of the state for all state-owned buildings, equipment, automobiles, fixtures, boilers, aircraft, cash, and securities, and provides either commercial or self-insurance protection for the financial loss of such property (Article II, Section 18, Constitution of Montana, and Title 2, Chapter 9, Parts 1 through 3, MCA).

Language

"The department is appropriated funds to pay the deductible portion of each claim incurred and covered by a deductible insurance plan from the deductible reserve fund authorized in Section 2-9-202(2), MCA."

"By July 15, 1992, the Tort Claims Division shall present to the Legislative Finance Committee proposed changes, in the method(s) of determining and allocating insurance premiums to state agencies. The division will review the proposal(s) and potential fiscal impacts with the Legislative Finance Committee before the rate methodology is adopted and before premiums are included in agency budget requests by the Office of Budget and Program Planning."

"In [the contracted services budget modification], the department is authorized to hire 0.5 clerical FTE."

TORT CLAIMS DIVISION

Budget

FTE increase by 2.0 as the legislature added two grade 17 attorney positions and reduced the budget modification for contracted legal services by \$500,000 each year of the biennium.

Personal services increase 32.6 percent due to: 1) addition of 2.0 attorney FTE; 2) vacancy savings in fiscal 1990; and 3) continuation of the fiscal 1991 pay plan in the 1993 biennium.

The operating budget increases 175.3 percent due to: 1) a budget modification, for contracted legal services, which adds \$500,000 annually; 2) an increase of \$875,129 in fiscal 1992 and \$940,430 in fiscal 1993 for commercial insurance coverage (compared to actual fiscal 1990 expenditures of \$742,591 that were incorrectly coded in the accounting system and are not reflected in fiscal 1990 expenditures above); 3) the legislative audit in fiscal 1992 of \$7,036 compared to fiscal 1990 expenditures of \$2,978 and a 1991 biennium appropriation of \$9,416; 4) operating costs for the 2.0 attorney FTE added by the legislature; and 5) other fixed cost and inflationary adjustments. Operating cost increases are partially offset by a reduction in photocopy expenses of \$1,847 annually for cost savings due to the equipment appropriation to purchase a scanner.

Equipment includes three monitors and a printer for portable computers, a scanner that electronically copies documents to computer disk, and miscellaneous office equipment for the 2.0 new attorney FTE added by the legislature. Photocopy fees are reduced by one-fourth each year to reflect the estimated reduction in photocopy expense and four-year payback for the scanner.

Transfers, which moved funds from the insurance premium self-insurance fund to the agency internal services account, are no longer included in the program budget. The department has determined that such transfers are unnecessary. The program will now draw funding directly from the insurance premium account.

Senate Bill 246 continues the liability limits established by the legislature, limiting claims against the state to \$750,000 per claim and \$1.5 million per occurrence. Such limits are one factor in contributing to lower liability insurance losses incurred in the Tort Claims program, which manages the state general liability self-insurance fund.

Budget Modification

Modification Type	-----Executive-----				-----Legislature-----			
	FTE FY92	FTE FY93	G. Fund 92-93	Total 92-93	FTE FY92	FTE FY93	G. Fund 92-93	Total 92-93
1) Tort Claims: Contracts	0.0	0.0	\$0	\$2,000,000	0.0	0.0	\$0	\$1,000,000

TORT CLAIMS DIVISION

1) Tort Claims Contracts - This budget modification adds \$1.0 million in proprietary authority over the biennium to fund contracted legal services. The division contracts with the Department of Justice Agency Legal Services program (ALS) and private attorneys to defend cases when the workload is higher than division staff can support. Since fiscal 1988, actual expenditures for legal services have exceeded the appropriated amount, requiring the division to seek a budget amendment for additional authority. The division projects that the number of legal actions in the 1993 biennium will require continued contracting for services. Contracted legal services may also increase due to the recent program decision to convert a vacant attorney FTE into an accountant position. The Department of Justice estimates that Tort Claims generates 60 percent of ALS revenue. The proposed rate increase for ALS was not communicated to the Tort Claims Division in time to be included in its budget request. Therefore, the current level budget and budget modification for the division will purchase fewer hours of contracted legal services each year of the 1993 biennium than in fiscal 1990, if the ALS proposed rate is adopted. The legislature reduced the contracted services request by \$500,000 each year and added 2.0 FTE to handle some of the legal cases that would otherwise be contracted out.

Funding

The program is funded from self-insurance premium revenue. The state is self-insured for general liability, automobile, Board of Investments property foreclosures, Board of Housing property foreclosures, and foster care youth insurance coverage. The division maintains a fund to pay program operating and claims expenses for such insurance. Premium payments from state agencies are deposited to the fund to pay operating and actual and potential claim expenses.

STATE TAX APPEAL BOARD

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	11.00	10.50	10.50	.00	10.50	10.50	.00	-.50
Personal Services	234,025	342,813	329,152	13,661-	342,156	328,524	13,632-	40.65%
Operating Expenses	60,567	99,921	98,655	1,266-	100,131	98,837	1,294-	62.89%
Equipment	15,214	0	0	0	0	0	0	-100.00%
Local Assistance	2,876	0	0	0	0	0	0	-100.00%
Total Costs	\$312,682	\$442,734	\$427,807	\$14,927-	\$442,287	\$427,361	\$14,926-	36.82%
Fund Sources								
General Fund	312,682	442,734	427,807	14,927-	442,287	427,361	14,926-	36.82%
Total Funds	\$312,682	\$442,734	\$427,807	\$14,927-	\$442,287	\$427,361	\$14,926-	36.82%

Program Description

The State Tax Appeal Board (STAB) provides a tax appeal system for all actions of the Department of Revenue (Article XIII, Section 7 of the Montana Constitution and Section 15-2-101, MCA). It travels throughout the state to hear appeals from decisions of the 56 county tax appeal boards (CTAB) and takes original jurisdiction in matters involving income taxes (Section 15-30-147, MCA); corporate taxes (Section 15-31-532, MCA); and severance taxes, centrally assessed property, and new industry (Section 15-2-302, MCA). STAB pays a per-meeting honorarium, including mileage reimbursement and meals, to the 168 CTAB members and pays clerical expenses for each board.

Budget

FTE decline by 0.5 as a clerical position that was vacant throughout fiscal 1990 was transferred to the Central Mail program.

Personal services increase 40.6 percent due to: 1) approval of the Executive budget level for per diem reimbursements to members of the State Tax Appeal Board of \$85,580 compared to actual fiscal 1990 expenditures of \$32,066; 2) vacancy savings in fiscal 1990; and 3) continuation of the fiscal 1991 pay plan in the 1993 biennium.

The operating budget increases 62.9 percent due to: 1) an increase of \$14,000 per year for contracted legal services; 2) a \$12,406 increase in supplies; 3) increased travel (\$10,336 each year); 4) increased communications costs (\$5,172 annually); and 5) other fixed cost and inflationary adjustments.

STATE TAX APPEAL BOARD

Reimbursement to county tax appeal boards for secretarial help was recorded in local assistance in fiscal 1990. These costs are budgeted in contracted services for the 1993 biennium.

Funding

The State Tax Appeal Board is funded entirely by general fund.

STATE COMPENSATION MUTUAL INSURANCE FUND

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Charge 1990-92
FTE	176.00	216.90	218.90	2.00	215.90	217.90	2.00	42.90
Personal Services	4,011,814	5,536,182	5,354,955	181,227-	5,506,944	5,326,811	180,133-	33.48%
Operating Expenses	3,167,095	3,802,378	3,971,873	169,495	3,748,677	3,813,399	64,722	25.42%
Equipment	136,561	188,893	188,893	0	127,138	127,138	0	38.32%
Benefits and Claims	39,876,563	110,953,000	110,953,000	0	118,060,000	118,060,000	0	178.24%
Transfers	961,780	2,941,701	2,941,701	0	2,959,054	2,959,054	0	205.86%
Total Costs	\$48,153,813	\$123,422,154	\$123,410,422	\$11,732-	\$130,401,813	\$130,286,402	\$115,411-	156.28%
Fund Sources								
State Revenue Fund	3,349,713	26,570	25,082	1,488-	0	0	0	-99.25%
Proprietary Fund	44,804,100	123,395,584	123,385,340	10,244-	130,401,813	130,286,402	115,411-	175.39%
Total Funds	\$48,153,813	\$123,422,154	\$123,410,422	\$11,732-	\$130,401,813	\$130,286,402	\$115,411-	156.28%

Agency Description

The State Compensation Mutual Insurance Fund (State Fund), established January 1, 1990, provides liability insurance for workers' compensation and occupational disease. The State Fund may not refuse coverage to any employer (Section 39-71-431, MCA).

Effective July 1, 1990, the State Fund was divided into two businesses by the legislature. The old business is responsible for administration and payment of claims for injuries that occurred before July 1, 1990. The State Fund actuary estimates that these claims will total \$207 million. A tax of 0.28 percent was imposed on each employer's covered payroll to fund the old business. The new business is responsible for claims for injuries occurring on or after July 1, 1990. It is funded through premiums charged to employers purchasing workers' compensation insurance from the State Fund. Statutes require the State Fund to set premium rates at a level sufficient to fund the insurance program, including the costs of administration, benefits, and adequate reserves.

The State Fund is attached to the Department of Administration for administrative purposes. Management of the State Fund is vested in a five-member board of directors appointed by the Governor. The State Fund is subject to laws governing state agencies, unless the State Fund is specifically exempted from compliance with that law.

STATE COMPENSATION MUTUAL INSURANCE FUND

Language

"[The construction premium budget modification] is contingent on passage and approval of House Bill 187." This bill was signed into law.

Legislative Intent

The agency is directed to submit the budget request for the 1995 biennium in separate components for the benefits department, the underwriting department, and administration.

The budget includes \$119,788 per year for warrant processing, to be paid in full to the State Auditor's Office as reimbursement for warrant processing costs. The State Fund may pay warrant processing costs in 12 equal installments.

Budget

FTE increase a net of 42.9 from fiscal 1990 to fiscal 1992. Budget modifications add 43.9 FTE. A 0.5 FTE was transferred from the State Fund to the Department of Labor and Industry (DOLI) as part of the reorganization in fiscal 1991. Transfer of administration of the employer's payroll tax to the Department of Revenue (DOR) reduces FTE by 0.5 FTE between fiscal 1990 and fiscal 1992 and an additional 1.0 FTE between fiscal 1992 and 1993.

Personal services increase 33.5 percent due to: 1) approval of budget modifications that add \$1,120,916 in fiscal 1992 and \$1,118,356 in fiscal 1993; 2) vacancy savings in fiscal 1990; and 3) continuation of pay increases averaging 6.9 percent in fiscal 1990 approved by the State Fund Board of Directors. The legislature continued 3.0 FTE, authorized to administer medical deductible plans, that had been vacant throughout fiscal 1990. The legislature also continued a management position vacant throughout fiscal 1990 with the intent that the position be used as a claims examiner. The fiscal 1992 and 1993 pay plan increase (House Bill 509) is not included in the table. Volume I of this report has a "Pay Plan" section with a description of the pay plan increase and a table showing allocations to each agency.

The operating budget increases 25.4 percent due to: 1) three budget modifications discussed below, which add \$321,583 in fiscal 1992 and \$287,670 in fiscal 1993; 2) increases in mainframe computer processing and systems development costs which add \$245,043 in fiscal 1992 and \$230,977 in fiscal 1993; 3) annual payments of \$119,788 to the State Auditor to offset the general fund cost of processing warrants; 4) consulting services, which add \$86,770 annually; 5) the legislative audit cost in fiscal 1992 of \$83,655; 6) maintenance increases of \$32,707 in fiscal 1992 and \$26,632 in fiscal 1993; 7) increases to correctly account for actual legal services and premium refund costs of \$300,870 each year and \$102,566 each year respectively; and 8) other fixed costs and inflationary adjustments. Rate reductions in mainframe computer processing offset \$121,011 of the increases in fiscal 1992 and \$171,962 in fiscal 1993.

Equipment costs increase 38.3 percent. Equipment purchases include replacement of six vehicles per year; eight computer terminals; new mail room equipment; software upgrades; replacement of two disk drives; and other office equipment.

STATE COMPENSATION MUTUAL INSURANCE FUND

The percentage increase in benefits and claims is largely due to a change in generally accepted accounting principles (GAAP). On January 1, 1990, the fund type for workers' compensation costs was changed from state special revenue for operations costs and trust fund for benefits to a proprietary fund type for all costs. Under the previous trust fund type structure, benefit costs were recorded in a nonbudgeted center in SBAS and not appropriated by the legislature. Thus, the fiscal 1990 costs for benefits and claims in the table reflect only one-half of the annual expenditures. The appropriation by the legislature for benefits is the actuarial estimate of such costs for the 1993 biennium.

Transfers increase 205.9 percent. Transfers include payments to the Department of Social and Rehabilitation Services to operate rehabilitation panels, lease payments for the Condon Building, payments for fraud investigations, and reimbursement to the DOLI for administration of regulatory functions. The biggest change in transfer costs is due to payments from the State Fund to the DOLI for regulatory functions. During fiscal 1990, DOLI and State Fund operated from the same accounting entity, making interagency payments unnecessary. In addition, fiscal 1990 represents half of the annual cost of some of the expenses recorded in the transfers category.

House Bill 995, passed by the 1991 legislature, authorizes the Board of Investments to issue up to \$220 million of workers' compensation bonds to pay the unfunded liability of the old business. The bonds are payable from proceeds of the employer's payroll tax. The Board of Investments may also issue a loan for claims for the old business, payable from reserves accumulated from workers' compensation premiums paid to the State Fund based on wages payable on or after July 1, 1990. The Board of Investments shall choose the method of financing that is most cost-effective for the State Fund. Prior to the issuance of loans or bonds, the Budget Director must certify to the Board of Investments that tax revenue together with funds in the account required by Section 39-71-2321, MCA, to fund old business claims, will be insufficient to pay such claims. All loan and bond proceeds must be repaid by the State Fund to the Board of Investments before July 1, 2020. The workers' compensation payroll tax must be continued at the 0.28 percent rate to fund bond and loan repayments. The legislature may not modify the tax rate, or the use of the tax proceeds in a manner that reduces the security for repayment of the outstanding loans or bonds. However, the repayment account, regardless of the source, that is in excess of the required reserve and is equal to the amount needed for bond or loan repayment and dedicated to the payment of the outstanding loans or bonds payable during the period. The legislature may not increase the workers' compensation payroll tax rate except upon a two-thirds majority vote of each house. House Bill 995 authorizes the State Fund to pay lump sum settlements to claimants regardless of laws governing lump sum settlements in effect at the time of the accident if such settlements are mutually agreeable to the State Fund and claimant. This provision is effective beginning October 1, 1991 and ending September 30 1, 1992.

House Bill 837 revises workers' compensation benefits for permanent partial disability based on a combination of factors including age and educational level of the injured worker, type of work activity previously performed compared to that the worker is able to perform after the injury, wages received at the time of injury, and the state average weekly wage. The bill also limits the percentage increase in workers' compensation medical cost payments to the rate of increase in the state average weekly wage as defined in Section 39-71-116, MCA. The State Fund is unable to provide an estimated fiscal impact of House Bill 837 without an actuarial evaluation of the changes to benefits and medical costs.

STATE COMPENSATION MUTUAL INSURANCE FUND

Budget Modifications

<u>Modification Type</u>	<u>Executive</u>			<u>Legislature</u>		
	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>Total</u> <u>92-93</u>	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>Total</u> <u>92-93</u>
1) Claims Management	32.9	32.9	\$1,892,069	32.9	32.9	\$1,823,057
2) Audit Bureau	9.0	9.0	628,420	9.0	9.0	608,003
3) HB187 - Construction Premium	---	---	---	2.0	2.0	423,459
Total	41.9	41.9	\$2,520,489	43.9	43.9	\$2,854,519

1) Claims Management Program - This modification continues program expansions authorized by budget amendments in fiscal 1990 and 1991, adding 32.9 FTE and \$912,563 in proprietary funds in fiscal 1992 and \$910,494 in fiscal 1993. These positions include 11.0 claims examiner FTE, increasing such positions from 22 to 33, for an estimated case load of 295 open claims per examiner according to State Fund staff. State Fund personnel say the average in private industry is 200-225 open claims per examiner. The balance of the additional FTE are:

-- 5 supervisory, technical, and clerical staff in the Finance Department to improve accounting services and evaluation of financial data;

-- 5.4 underwriting positions for a new marketing program to increase the amount of premium collected and a desk audit program to ensure policyholders compliance with reporting criteria;

-- 2 safety consultants to conduct safety audits, evaluate employers for safety incentive programs, and provide safety evaluations for schedule rated policies;

-- 1 management position to manage the Benefits Division;

-- 2 rehabilitation coordinators to supervise contracted rehabilitation providers and provide coordination between claims examiners and these providers on claimants' cases;

-- 6.5 support staff.

STATE COMPENSATION MUTUAL INSURANCE FUND

- 2) Audit Bureau - This modification transfers 9.0 FTE and \$304,304 proprietary funds in fiscal 1992 and \$303,699 in fiscal 1993 from DOLI to the State Fund. In fiscal 1990, the State Fund contracted with DOLI to perform this function.
- 3) HB 187 - Construction Premium - This modification provides funding and 2 FTE to implement House Bill 187. The bill requires the State Fund to revise the method of calculating workers' compensation insurance premium rates for the construction industry.

Funding

The program is supported by earned premium revenue paid by worker's compensation coverage policy holders. The 1989 legislature approved a 1991 biennium budget for the Workers' Compensation Division that was within a maximum budget guideline of 8.0 percent of earned premium revenue for administrative expenses. The State Fund Board of Directors established a budget guideline of 10.0 percent of earned premium revenue. The budget adopted by the legislature is within the 10.0 percent budget guideline.

State special revenue funds 1.0 FTE and operating costs for collection of employer's payroll tax, transferred to the DOR beginning in fiscal 1992.

PUBLIC EMPLOYEES' RETIREMENT BOARD

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	20.00	20.00	20.00	.00	20.00	20.00	.00	.00
Personal Services	461,682	518,860	518,860	0	517,936	517,936	0	12.38%
Operating Expenses	368,410	723,733	705,142	18,591-	437,648	433,526	4,122-	91.40%
Equipment	4,103	1,566	1,566	0	1,704	1,704	0	-61.83%
Total Costs	\$834,195	\$1,244,159	\$1,225,568	\$18,591-	\$957,288	\$953,166	\$4,122-	46.92%
<u>Fund Sources</u>								
Non-expendable Trust	834,195	1,244,159	1,225,568	18,591-	957,288	953,166	4,122-	46.92%
Total Funds	\$834,195	\$1,244,159	\$1,225,568	\$18,591-	\$957,288	\$953,166	\$4,122-	46.92%

Agency Description

The Public Employees' Retirement Division (PERD) of the Department of Administration administers most of the state employee retirement systems including: Public Employees', Game Wardens', Highway Patrol, Judges', Sheriffs', Municipal Police Officers', Firefighters' Unified Retirement Systems and the Volunteer Firefighters' retirement systems (Title 19, Chapters 3, 5, 6, 7, 8, 9, 12 and 13, MCA). It also administers the Federal-State Social Security Agreement as defined in Title II, Section 218 of the Social Security Act and Title 19, Chapter 1, MCA. The administration and operation of the retirement systems are governed by rules adopted by the Public Employees' Retirement Board (Section 2-15-1009, MCA). Board members, appointed by the Governor for five year terms, consist of three public employees active in the retirement system, one retired employee, and two members at large.

Language

"The amounts listed in [Public Employees' Retirement program, legislative audit, and budget modifications to rewrite data processing system and program improvements] are appropriated from the pension trust fund."

"Contingent on passage and approval of House Bill No. 595, the board is appropriated \$3,860 from pension trust funds in fiscal 1992 and \$2,360 from pension trust funds in fiscal 1993."

"Contingent on passage and approval of House Bill No. 711, the board is appropriated \$5,000 from pension trust funds in fiscal 1992 and \$5,000 from pension trust funds in fiscal 1993."

PUBLIC EMPLOYEES RETIREMENT BOARD

"Contingent on passage and approval of Senate Bill No. 226, the board is appropriated \$25,000 from pension trust funds in fiscal 1992 and \$5,000 from pension trust funds in fiscal 1993."

All of these bills were signed into law.

Budget

Personal services increase 12.4 percent due to: 1) vacancy savings in fiscal 1990; and 2) continuation of the fiscal 1991 pay plan in the 1993 biennium. The legislature added funds for per diem reimbursements for board members (\$3,600) and overtime (\$1,500) for staff members.

A 4 percent vacancy savings reduction was applied to personal services budgets in agencies with more than 20 FTE. Since PERD has fewer than 20 FTE, vacancy savings was not applied. The fiscal 1992 and 1993 pay plan increase (House Bill 509) is not included in the table above. Volume I of this report has a "Pay Plan" section with a description of the pay plan increase and a table showing allocations to each agency.

The operating budget increases 91.4 percent due to: 1) two budget modifications discussed below, which add \$351,676 in fiscal 1992 and \$136,176 in fiscal 1993; 2) the cost of the legislative audit in fiscal 1992 (\$36,303); 3) \$9,000 per year for contracted medical services to advise the board on medical disability retirement benefits; 4) an increase in the actuarial contract of \$10,000 in fiscal 1993; and 5) other fixed costs and inflationary adjustments. These cost increases are partially offset by rate reductions in mainframe computer processing costs.

Equipment includes funds to upgrade computer software.

House Bill 595 removes the requirement that a police officer be 50 years of age to be eligible for retirement. PERD is appropriated \$3,860 from the pension trust fund in fiscal 1992 and \$2,360 in fiscal 1993 to revise the data processing system and prepare information to be distributed to contributing members and employers.

House Bill 711 provides a supplemental highway patrol benefit payment to certain retirees receiving monthly benefits prior to July 1, 1991. PERD is appropriated \$5,000 from the pension trust fund each year of the biennium to revise the data processing system for the provisions of the bill.

Senate Bill 226 equalizes the taxation of pension benefits and provides an increase in retirement benefits for members of state, local, and teacher retirement systems who are Montana residents. PERD is appropriated \$25,000 in pension trust funds in fiscal 1992 and \$5,000 in fiscal 1993 to make computer system changes required to implement the provisions of this bill. Senate Bill 226 also establishes a statutory appropriation from the general fund to the retirement systems to fund the benefit increases. The fiscal impact of Senate Bill 226 was estimated to be \$7.07 million general fund over the 1993 biennium.

TEACHERS' RETIREMENT BOARD

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
FTE	11.50	11.50	11.50	.00	11.50	11.50	.00	.00
Personal Services	258,673	284,635	284,635	0	284,278	284,278	0	10.04%
Operating Expenses	215,029	331,648	360,386	28,738	300,083	280,835	19,248-	67.60%
Equipment	13,817	20,682	20,682	0	14,489	4,489	10,000-	49.69%
Total Costs	\$487,519	\$636,965	\$665,703	\$28,738	\$598,850	\$569,602	\$29,248-	36.55%
<u>Fund Sources</u>								
Non-expendable Trust	487,519	636,965	665,703	28,738	598,850	569,602	29,248-	36.55%
Total Funds	\$487,519	\$636,965	\$665,703	\$28,738	\$598,850	\$569,602	\$29,248-	36.55%

Agency Description

The Teachers' Retirement System (TRS) administers retirement, disability, and survivor benefits for all state teachers and their beneficiaries (Title 19, Chapter 4, MCA). The Teachers' Retirement Board, comprised of six members, is responsible for the administration of the system (Section 2-15-1010, MCA). The board is composed of the Superintendent of Public Instruction and five members appointed by the Governor. To assist in fulfilling its duties, the board employs a full-time staff.

Language

"The amounts listed in [Teachers' Retirement program, audit, and budget modifications] are appropriated from the pension trust fund."

"The [system enhancements for legislated changes] is contingent on passage and approval of Senate Bill No. 226." Senate Bill 226 was signed into law.

Budget

Personal services increase 10.0 percent due to: 1) vacancy savings in fiscal 1990; and 2) continuation of the 1991 pay plan in the 1993 biennium.

A 4 percent vacancy savings reduction was applied to personal services budgets in agencies with more than 20 FTE. Since the Teachers' Retirement Board has fewer than 20 FTE, vacancy savings was not applied. The fiscal 1992 and 1993 pay plan increase (House Bill 509)

TEACHERS' RETIREMENT BOARD

is not included in the table above. Volume I of this report has a "Pay Plan" section with a description of the pay plan increase and a table showing allocations to each agency.

The operating budget increases 67.6 percent between fiscal 1990 and 1992 due to: 1) budget modifications which add \$172,380 in fiscal 1992 and \$108,380 in fiscal 1993; 2) the cost of the legislative audit in fiscal 1992 (\$23,676); 3) a cyclical printing adjusting cost to print the retirement handbooks in fiscal 1992 of \$5,713; and 4) other fixed cost and inflationary adjustments. Operating cost increases between the two years are partially offset by removal from the fiscal 1990 base of one-time expenditures of \$26,591 to update the computer system and by reductions in mainframe computer processing rates in the 1993 biennium. The decrease in operating costs between fiscal 1992 and 1993 is due to the initial cost of microfilming retirement files in fiscal 1992 of \$24,232 (see modified budget), the legislative audit (which is budgeted in fiscal 1992), and rate reductions in mainframe computer processing which are greater in fiscal 1993 than in fiscal 1992.

Equipment includes a bookcase, room partitions, and replacement chairs. The modified budget request includes authorization to purchase personal computers and other equipment noted below.

Senate Bill 226 equalizes the taxation of pension benefits and provides a 2.5 percent increase in retirement benefits for members of state, local, and teacher retirement systems who are Montana residents. TRS is appropriated \$25,000 in pension trust funds in fiscal 1992 to make computer system changes required to implement the provisions of this bill. Senate Bill 226 also establishes a statutory appropriation from the general fund to the retirement systems to fund the benefit increases. The fiscal impact of Senate Bill 226 was estimated to be \$7.07 million general fund over the 1993 biennium.

Budget Modifications

<u>Modification Type</u>	<u>-----Executive-----</u>				<u>-----Legislature-----</u>			
	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>	<u>Total</u> <u>92-93</u>	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>	<u>Total</u> <u>92-93</u>
1) DP and Service Upgrades				\$282,800				\$255,760
2) SB226 System Enhancements								<u>25,000</u>
Total	0.0	0.0	\$0	\$282,800	0.0	0.0	\$0	\$280,760

1) Data Processing and Service Upgrades - This budget modification funds additional computer processing time; network fees on the personal computers funded in the modification; maintenance, upgrading, and enhancement of the TRS data base system; microfilming retirement files (\$24,232 in fiscal 1992); and increased instate travel (\$25,175 over the biennium). The majority of the request

TEACHERS' RETIREMENT BOARD

(\$182,960) would be expended in contracted services for systems development and computer processing charges. The request also includes \$18,593 in fiscal 1992 and \$2,400 in fiscal 1993 to purchase two personal computers and other computer hardware, replacement desk chairs, replacement tape calculators, and a new credenza. The modified budget approved by the legislature is lower than the original Executive request as network service fees included in both the current and modified level budgets were removed from the modified request.

2) SB226 - System Enhancements - This budget modification funds computer system changes for Senate Bill 226 which equalizes taxation of all pension benefits and provides a 2.5 percent benefit increase to members of state, local and teacher retirement systems who are Montana residents.

Funding

The program is funded from interest on investments held in trust for the teachers' retirement system.

MILITARY AFFAIRS

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	97.75	97.75	99.75	2.00	97.75	99.75	2.00	2.00
Personal Services	2,315,211	2,610,907	2,539,371	71,536-	2,612,767	2,541,849	70,918-	9.68%
Operating Expenses	2,237,059	2,765,075	2,872,234	107,159	2,646,619	2,684,343	37,724	28.39%
Equipment	10,419	0	0	0	0	0	0	-100.00%
Grants	763,182	1,000,000	564,000	436,000-	1,000,000	540,000	460,000-	-26.10%
Benefits and Claims	2,280	2,280	2,280	0	2,280	2,280	0	.00%
Total Costs	\$5,328,151	\$6,378,262	\$5,977,885	\$400,377-	\$6,261,666	\$5,768,472	\$493,194-	12.19%
<u>Fund Sources</u>								
General Fund	1,944,003	2,239,475	2,200,045	39,430-	2,122,888	1,993,823	129,065-	13.17%
State Revenue Fund	0	12,000	32,172	20,172	12,000	41,169	29,169	.00%
Federal Revenue Fund	3,384,148	4,126,787	3,745,668	381,119-	4,126,778	3,733,480	393,298-	10.68%
Total Funds	\$5,328,151	\$6,378,262	\$5,977,885	\$400,377-	\$6,261,666	\$5,768,472	\$493,194-	12.19%

Agency Description

The Department of Military Affairs oversees all activities of the Army and Air National Guard, Disaster and Emergency Services Division, and Veterans' Affairs Division. The department is administered by the Adjutant General and his staff, as provided for in Section 2-15-1202, MCA. The department manages a joint federal-state program that keeps in readiness trained and equipped military organizations for the Governor in the event of a state emergency and the President in the event of a national emergency. Federal agencies control the military strength and mobilization missions of the Montana Guard. The department also plans for and coordinates state responses in disaster and emergency situations (Title 10, Chapter 3, MCA). The department manages and cooperates with state and federal agencies in providing statewide services for discharged veterans and their families (Title 10 Chapter 2, MCA).

Legislative Intent

It is the legislature's intent that federal aid related to specific disasters be funded through statutory appropriations established in Section 10-3-203(2), MCA.

MILITARY AFFAIRS

Budget

The legislature implemented a 0.5 percent reduction in the total agency general fund budget for each year of the biennium. Since agencies will be allowed to allocate this budget reduction among programs, it is reflected in the agency table but is not reflected in the program tables and narratives.

FTE increase by 2.0 due to budget modifications. Personal services increase 9.7 percent due to: 1) budget modifications which add 2.0 FTE and \$55,571 in fiscal 1992 and \$55,442 in fiscal 1993; 2) vacancy savings in fiscal 1990; and 3) continuation of the fiscal 1991 pay plan into the 1993 biennium. A 4 percent vacancy savings was applied for the 1993 biennium. The pay plan increase for fiscal 1992 and fiscal 1993 (House Bill 509) is not included in the agency table or in the program tables. Volume I of this report has a "Pay Plan" section describing the pay plan increase and a table showing allocations to each agency.

The operating budget increases 28.4 percent due to: 1) three budget modifications, which add \$263,514 in fiscal 1992 and \$21,268 in fiscal 1993; 2) utilities, maintenance, and communications costs authorized by budget amendment in fiscal 1990 and included in current level by the legislature, which add \$191,646 in fiscal 1992 and \$191,061 in fiscal 1993; 3) inflationary increases in utility costs, which add about \$49,000 in fiscal 1992 and about \$68,000 in fiscal 1993; 4) an increase in the cost of water at the Gore Hill air base that adds \$43,550 annually; 5) the legislative audit costs in fiscal 1992 (\$23,676); 6) House Bill 723, authorizing the sale of veterans' license plates adds \$22,500 in fiscal 1992 and \$46,500 in fiscal 1993; and 7) other fixed cost and inflationary adjustments.

Grants decline 26.1 percent, as fiscal 1990 includes federal aid related to specific disasters which the legislature has specified be funded with a statutory appropriation. The remaining appropriation is program operating funds only. The legislature intends that expenditures funded by federal aid received for specific emergencies or disasters be paid for by a statutory appropriation established in Section 10-3-203(2), MCA.

Benefits and claims, consisting of payments to a national guardaman injured in a prison riot in 1954, remain the same as the 1991 biennium.

The Office of the Governor is statutorily appropriated \$2 million general fund whenever an emergency or disaster is declared by the Governor (Section 10-3-312, MCA). House Bill 630 directs that in the event of recovery of money expended under that section the spending authority be reinstated to a level reflecting the recovery.

MILITARY AFFAIRS

Budget Modifications

<u>Modification Type</u>	<u>-----Executive-----</u>			<u>-----Legislature-----</u>		
	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>	<u>Total</u> <u>92-93</u>	<u>FTE</u> <u>FY92</u>	<u>General Fund</u> <u>92-93</u>
1) Army Guard Repair and Maint.			\$324,000	\$324,000		\$186,000
2) Environmental Program*	1.0	1.0	18,945	102,838	1.0	18,503
3) Air Guard Repair and Maint.			14,000	56,000		14,000
4) Earthquake Management*	1.0	1.0	0	94,600	1.0	0
5) HB723 - Veterans' Cemetery	—	—	0	—	—	0
Total	2.0	2.0	\$356,945	\$577,438	2.0	\$218,503
						\$533,812

*These budget modifications were not included in the printed Executive Budget, but were included in the Executive Budget request presented to the legislature.

Each budget modification is discussed in the following program narratives.

Funding

General fund supports the full cost of the Administration program and a portion of the costs of the Air and Army National Guard programs and the Disaster Coordination Response program. The major components of the general fund increase between fiscal 1990 and 1992 are: 1) budget modifications which add \$218,503 in general fund expenditures in fiscal 1992; and 2) a change in the state matching rate in the Air National Guard Program. During the 1991 biennium, the state share of Air National Guard expenditures was 20.0 percent. However, the Air Guard base was removed from a 365 day, 24-hour alert status, decreasing the federal share of the cost from 80.0 to 75.0 percent and increasing the state share by a like amount. That change increased general fund costs about \$33,500 in fiscal 1992 and \$30,500 in fiscal 1993. The general fund portion of the legislative audit cost (\$16,100) is included in fiscal 1992. Finally, the increase in water costs at the Gore Hill air base adds \$13,500 in general fund each year of the biennium. Some of the increases are offset by the 0.5 percent across the board reduction in general fund and 4 percent vacancy savings both years of the biennium.

Federal funds increase between fiscal 1990 and 1992, despite the decline in the federal matching rate in the Air National Guard Program discussed above. The biggest increase is related to the cost of two budget amendments approved during the 1991 biennium which were approved for continuation and add about \$191,600 annually in federal funds. The budget modifications approved by the legislature

MILITARY AFFAIRS

add about \$130,000 each year of the biennium. The federal share of higher water costs at Gore Hill add \$40,050 annually, and the cost of the legislative audit adds \$7,576 federal funds in fiscal 1992.

House Bill 723 authorizing the sale of veterans' license plates and allocating a portion of the proceeds to the construction of a state veterans' cemetery adds \$22,500 state special revenue in fiscal 1992 and \$31,500 in fiscal 1993. An additional \$10,000 of state special revenue was appropriated by the legislature each year for private donations for the veterans' cemetery. The state special revenue appropriation for private donations in the 1993 biennium will allow the department to account for donations from private individuals in the correct fund type. (In the 1991 biennium, such donations were recorded in the federal revenue fund type.) There was no expenditure from state special revenue in fiscal 1990 even though the 1989 legislature appropriated state special revenue to match an anticipated federal hazardous materials training grant. Actual grant conditions allowed the department to use existing expenditures as a match, alleviating the need for state matching funds.

Other Legislation

Bill No./Description	-----Fiscal 1992-----		-----Fiscal 1993-----	
	FTE	General Fund	FTE	General Fund
HB 20 - Women in Service Memorial		\$ 0		\$ 0
HB 179 - Upgrade and Maintain Veterans' Cemetery		22,806		22,795
Totals	0.0	\$22,806	0.0	\$22,795

HB 20 - Women in Service Memorial - This bill appropriates \$25,000 from the long range building fund beginning July 1, 1991 as the Montana contribution toward the construction of a national memorial honoring women veterans and servicewomen at Arlington National Cemetery.

HB 179 - Upgrade and Maintain Veterans' Cemetery - This act appropriates \$45,601 general fund over the biennium to upgrade and maintain the state veterans' cemetery.

ADMINISTRATION PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
PTE	4.50	4.50	4.50	.00	4.50	4.50	.00	.00
Personal Services	145,204	160,885	154,450	6,435-	160,502	154,082	6,420-	6.37%
Operating Expenses	58,962	62,647	69,308	6,661	61,805	63,909	2,104	17.55%
Equipment	599	0	0	0	0	0	0	-100.00%
Total Costs	\$204,765	\$223,532	\$223,758	\$226	\$222,307	\$217,991	\$4,316-	9.28%
<u>Fund Sources</u>								
General Fund	204,765	223,532	223,758	226	222,307	217,991	4,316-	9.28%
Total Funds	\$204,765	\$223,532	\$223,758	\$226	\$222,307	\$217,991	\$4,316-	9.28%

Program Description

The Administration program is the primary administrative support organization for the agency, including financial management, budgeting, personnel, communications supervision, and other administrative activities. It provides management support and supervision for the Army and Air National Guard programs, emergency and disaster programs, and administrative support to the Veterans' Affairs Division. The program also disburses funds to support the operation of the departmental headquarters.

Budget

Personal services costs increase 6.4 percent due to vacancy savings in fiscal 1990, authorized upgrades for two positions, and continuation of the fiscal 1991 pay plan in the 1993 biennium.

Operating costs rise by 17.6 percent due to: 1) inclusion of the full cost of the legislative audit in fiscal 1992 (\$5,920); 2) travel increases of \$2,200 each year of the biennium to rent a car for business-related travel of the adjutant general and other agency personnel; 3) additional office equipment maintenance costs of \$1,309 each year; 4) inflationary adjustments in utilities of \$2,273 in fiscal 1992 and \$2,938 in fiscal 1993 and 5) other fixed cost increases. Some of the cost increases are offset by decreases in mainframe computer processing rates.

Funding

The program is supported by general fund.

ARMY NATIONAL GUARD PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	16.50	16.50	17.50	1.00	16.50	17.50	1.00	1.00
Personal Services	280,926	387,357	400,723	13,366	387,533	400,825	13,292	42.64%
Operating Expenses	1,454,075	1,822,591	1,842,272	19,681	1,708,972	1,671,818	37,154-	26.70%
Equipment	3,973	0	0	0	0	0	0	-100.00%
Benefits and Claims	2,280	2,280	2,280	0	2,280	2,280	0	-.00%
Total Costs	\$1,741,254	\$2,212,228	\$2,245,275	\$33,047	\$2,098,785	\$2,074,923	\$23,862-	28.95%
<u>Fund Sources</u>								
General Fund	932,227	1,124,218	1,096,155	28,063-	1,010,648	917,679	92,969-	17.58%
Federal Revenue Fund	809,027	1,088,010	1,149,120	61,110	1,088,137	1,157,244	69,107	42.04%
Total Funds	\$1,741,254	\$2,212,228	\$2,245,275	\$33,047	\$2,098,785	\$2,074,923	\$23,862-	28.95%

Program Description

The Army National Guard program sustains a trained and equipped military organization for use in the event of a state or national emergency. Program staff coordinate, plan, and implement training for guard personnel. The program is a joint state/federal effort with state responsibilities including maintenance of all National Guard facilities.

Legislative Intent

The department is directed to submit the Army National Guard program budget request for the 1995 biennium in separate components for functions supported entirely by general fund, functions supported entirely by federal funds, and functions supported by general fund allocated as match for federal funds.

Budget

Personal services increase 42.6 percent due to: 1) approval of a budget modification for 1.0 FTE, which adds \$28,860 in fiscal 1992 and \$28,793 in fiscal 1993; 2) vacancy savings in fiscal 1990; and 3) continuation of the fiscal 1991 pay plan.

The operating budget increases 26.7 percent due to: 1) two budget modifications discussed below, which add \$207,514 in fiscal 1992 and \$21,268 in fiscal 1993; 2) utilities, maintenance, and communications costs authorized by budget amendment in fiscal 1990 and

ARMY NATIONAL GUARD PROGRAM

included in current level by the legislature, which add \$191,646 in fiscal 1992 and \$191,061 in fiscal 1993; and 3) inflationary increases in utility costs, which add \$26,936 in fiscal 1992 and \$38,724 in fiscal 1993. These increases are partially offset by reductions to the fiscal 1990 base, including removal of \$23,000 in utility costs for accrued but unpaid bills as of November 1, 1990.

Benefits and claims consist of payments to a national guardsman injured in a prison riot in 1954.

Budget Modifications

Modification Type	Executive			Legislature		
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93
1) Army Guard Repair and Maint.	1.0	1.0	\$324,000	\$324,000	1.0	1.0
2) Environmental Program*			18,945	102,838		
Total	1.0	1.0	\$342,945	\$426,838	1.0	1.0
				\$204,503		
				\$186,000		
				18,503		
				\$186,000		
				100,435		
				\$286,435		

*Not in original printed Executive Budget, but included in revised Executive Budget.

1) Army Guard Repair and Maintenance - This modification adds a biennial appropriation of \$186,000 general fund in fiscal 1992 in addition to current level expenditures of about \$503,000 to repair and maintain Army Guard facilities. Funding for repair and maintenance of the facilities is determined by the type of facility. Upkeep for armories is 100 percent state funded; shop and annex repair is funded 75 percent federal and 25 percent state; and maintenance of training sites is 100 percent federally funded. The repairs to be financed with the modified budget request include: rebuilding kitchens, painting the exterior and interior of armories, roof maintenance, lead removal at firing ranges, and heating system maintenance. The request originally included in the Executive Budget was reduced \$45,645 in fiscal 1992 in order to fund the biennial general fund request for two issues not included in the initial Executive Budget: higher than anticipated water bills in the Air National Guard Program and the following budget modification.

2) Environmental Program. This modification adds 1.0 FTE and \$50,374 total funds in fiscal 1992 and \$50,061 in fiscal 1993. The FTE is part of an environmental unit comprised of 4.0 federal employees and 2.0 state FTE. The department reallocated 1.0 current level FTE to the environmental program in addition to the FTE requested in the budget modification. The unit will allow the department to comply with federal and state environmental laws, such as regulation of underground storage tanks and hazardous waste management. General fund supports \$9,275 of the fiscal 1992 cost and \$9,228 of the fiscal 1993 cost. This budget modification was

ARMY NATIONAL GUARD PROGRAM

not included in the printed Executive Budget, but was included in the Executive Budget request to the legislature. The amount of funding authorized by the legislature for this budget modification is lower than the agency request due to vacancy savings.

Funding

The program is supported by general fund and federal funds. Depending on the use of the facilities maintained by the program, costs are funded either entirely by the state, entirely by federal funds, or as a shared responsibility with the state providing 25 percent of the funds.

Funding of personal services depends upon the time spent maintaining various facilities. The legislature continued the allocation of general fund in personal services consistent with House Bill 100 passed by the 1989 legislature, which limited the general fund for personal services to \$186,066 in fiscal 1992 and \$185,640 in fiscal 1993.

General fund increases are largely attributable to budget modifications approved by the legislature which add \$195,275 in fiscal 1992 and \$9,228 in fiscal 1993. The modified general fund increases are offset by decreases in current level costs that are fully or partially state funded, such as insurance.

AIR NATIONAL GUARD PROGRAM

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
FTE	37.00	37.00	37.00	.00	37.00	37.00	.00	.00
Personal Services	912,808	1,003,489	951,733	51,756-	1,007,024	954,913	52,111-	4.26%
Operating Expenses	<u>547,688</u>	<u>598,484</u>	<u>687,011</u>	<u>88,527</u>	<u>594,470</u>	<u>638,860</u>	<u>44,390</u>	<u>25.44%</u>
Total Costs	\$1,460,496	\$1,601,973	\$1,638,744	\$36,771	\$1,601,494	\$1,593,773	\$7,721-	12.20%
<u>Fund Sources</u>								
General Fund	127,740	176,451	194,429	17,978	175,397	182,313	6,916	52.21%
Federal Revenue Fund	<u>1,332,756</u>	<u>1,425,522</u>	<u>1,444,315</u>	<u>18,793</u>	<u>1,426,097</u>	<u>1,411,460</u>	<u>14,637-</u>	<u>8.37%</u>
Total Funds	\$1,460,496	\$1,601,973	\$1,638,744	\$36,771	\$1,601,494	\$1,593,773	\$7,721-	12.20%

Program Description

The Air National Guard program maintains a trained and equipped military organization for use in the event of a state or national emergency. The program staff provides clerical, facilities maintenance, and fire protection support to the Air National Guard base at Gore Hill near Great Falls.

Language

"In the [Air National Guard program], up to two firefighter FTE may be added if the current contract is modified or becomes unnecessary." This language refers to a contract that the department has with the Great Falls airport to provide contracted firefighting services. If the contract is not renewed or is reduced, the language gives the department authority to add up to 2.0 FTE. Funds are to be moved from contracted services to personal services to pay for the added FTE, if necessary.

Budget

Personal services increase 4.3 percent due to: 1) vacancy savings in fiscal 1990; and 2) continuation of the fiscal 1991 pay plan. The operating budget increases 25.4 percent due to: 1) water costs at the Air National Guard base, which add \$53,550 annually and were not included in the original Executive request; 2) a budget modification request discussed below, which adds \$56,000 over the biennium; 3) inflationary increases in utility costs, which add \$18,825 in fiscal 1992 and \$26,611 in fiscal 1993; 4) increased

AIR NATIONAL GUARD PROGRAM

contracted services costs of \$3,922 each year for janitorial services and \$3,838 each year for the contract with the Great Falls airport; and 5) increased maintenance costs for contracted snow removal of \$3,781 in fiscal 1992 and \$3,797 in fiscal 1993.

Budget Modification

<u>Modification Type</u>	<u>-----Executive-----</u>			<u>-----Legislature-----</u>		
	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>
1) Air Guard Repair and Maint.	0.0	0.0	\$14,000	0.0	0.0	\$14,000
			\$56,000			\$56,000

1) Air Guard Maintenance and Repair - This modification adds a biennial appropriation of \$14,000 general fund and \$42,000 federal authority in fiscal 1992 to fund maintenance projects at Gore Hill. Projects include: repair and replace fire hydrants; seal road cracks; repair and paint roofs; clean, paint, and repair walls; and replace interior lock sets. Current level expenditures for repair and maintenance were about \$132,000 in fiscal 1990.

Funding

Funding is a combination of general and federal funds. Personal services costs for firefighters, payroll service fees, and a contract with the Great Falls Airport for firefighter support are federally funded. All remaining personal services and operating costs are funded by general fund (25 percent) and federal funds (75 percent).

General fund costs increase 52.2 percent between fiscal 1990 and 1992 as the state matching rate approved by the legislature increased from 20.0 percent in fiscal 1990 to 25.0 percent in fiscal 1992. Federal cost participation declined as the National Guard Air Base was removed from 365 days per year, 24 hour alert status. Rising water costs increase general fund \$13,500 per year above the fiscal 1990 base. The biennial appropriation for the budget modification also increases general fund.

DISASTER COORDINATION RESPONSE

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
FTE	13.00	13.00	13.00	.00	13.00	13.00	.00	.00
Personal Services	374,625	394,376	378,601	15,775-	393,656	377,910	15,746-	1.06%
Operating Expenses	72,152	138,669	83,072	55,597-	138,528	74,345	64,183-	15.13%
Equipment	4,140	0	0	0	0	0	0	-100.00%
Total Costs	\$450,917	\$533,045	\$461,673	\$71,372-	\$532,184	\$452,255	\$79,929-	2.39%
<u>Fund Sources</u>								
General Fund	219,549	227,800	222,402	5,398-	227,371	217,697	9,674-	1.30%
State Revenue Fund	0	12,000	0	12,000-	12,000	0	12,000-	.00%
Federal Revenue Fund	231,368	293,245	239,271	53,974-	292,813	234,558	58,255-	3.42%
Total Funds	\$450,917	\$533,045	\$461,673	\$71,372-	\$532,184	\$452,255	\$79,929-	2.39%

Program Description

The Disaster Coordination and Response program staff prepare, update, coordinate, and test all state emergency preparedness, response, and recovery plans. The program, working through four district representatives, provides coordination and operational, technical, administrative, and training support for each county. Every county is responsible for adopting an emergency response plan and each has a full or part-time county coordinator. Operating 24 hours a day, seven days a week, program staff coordinate and administer all state and federal response and recovery actions to any disaster beyond local governments' response and recovery capabilities. The program staff also administer all federal money passed through to eligible political subdivisions. Counties are eligible for 50 percent reimbursement of costs related to civil defense.

Legislative Intent

The department is directed to submit the disaster and emergency services budget request for the 1995 biennium in separate components for federally funded functions, and for functions supported by general fund including general fund allocated as match for federal funds.

DISASTER COORDINATION RESPONSE

Budget

Personal services increase 1.1 percent due to: 1) vacancy savings in fiscal 1990; and 2) continuation of the fiscal 1991 pay plan. The operating budget increases 15.1 percent due to: 1) the cost of the legislative audit in fiscal 1992 (\$8,524); and 2) inflationary adjustments and fixed cost increases over the biennium.

Funding

Program funding is equally split between federal and general funds, with two exceptions. Payroll service fees and travel to hazardous waste training are funded entirely by federal grants. Federally funded travel is increased in the 1993 biennium to allow the program to use the full allocation available.

During the 1991 biennium, state special revenue funds were budgeted as a state match in anticipation of receipt of a \$60,000 federal hazardous waste training grant. The actual grant award received was \$25,000. The agency was allowed to match federal funds with existing expenditures, alleviating the need for the state special revenue match.

EMERGENCY MANAGEMENT DEVELOPMENT

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	8.00	8.00	9.00	1.00	8.00	9.00	1.00	1.00
Personal Services	200,442	224,560	242,289	17,729	224,313	241,989	17,676	20.88%
Operating Expenses	40,645	49,637	71,116	21,479	49,617	67,773	18,156	74.97%
Equipment	595	0	0	0	0	0	0	-100.00%
Total Costs	\$241,682	\$274,197	\$313,405	\$39,208	\$273,930	\$309,762	\$35,832	29.68%
Fund Sources								
Federal Revenue Fund	241,682	274,197	313,405	39,208	273,930	309,762	35,832	29.68%
Total Funds	\$241,682	\$274,197	\$313,405	\$39,208	\$273,930	\$309,762	\$35,832	29.68%

Program Description

The Emergency Management Development program supplements the Disaster Coordination and Response program in the preparation and updating of local and state emergency preparedness plans. These efforts are federally funded for war-caused incidents, but under current guidelines can include planning for all hazards as long as other activity does not impede planning and response to war-caused incidents. The program also provides technical support for in place civil defense shelters and exercises, and radiological defense and monitoring.

Language

"In [the earthquake budget modification], the department shall direct the earthquake program to local schools to the maximum extent possible."

Legislative Intent

The department is directed to submit the disaster and emergency services budget request for the 1995 biennium in separate components for federally funded functions, and for functions supported by general fund including general fund allocated as match for federal funds.

EMERGENCY MANAGEMENT DEVELOPMENT

Budget

FTE increase by 1.0 due to a budget modification for the earthquake program.

Personal services costs increase by 20.9 percent due to: 1) a budget modification, which adds \$26,711 in fiscal 1992 and \$26,649 in fiscal 1993; 2) vacancy savings in fiscal 1990; and 3) continuation of the fiscal 1991 pay plan in the 1993 biennium.

Operating costs increase 75.0 percent due to: 1) a budget modification for the earthquake program which adds about \$19,500 each year of the biennium; 2) travel increases of \$7,279 in fiscal 1992 and \$7,283 in fiscal 1993; 3) the cost of the legislative audit in fiscal 1992 of \$3,314; and 4) inflationary adjustments and fixed cost increases.

The Office of the Governor is statutorily appropriated \$2 million general fund whenever an emergency or disaster is declared by the Governor. House Bill 630 directs that if money expended for such disasters is recovered, the emergency spending authority is reinstated to a level reflecting the recovery.

Budget Modification

Modification Type	-----Executive-----			-----Legislature-----				
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) Earthquake Program*	1.0	1.0	\$0	\$94,600	1.0	1.0	\$0	\$92,374

*Not included in the printed Executive Budget, but requested in the revised Executive Budget.

1) Earthquake Program - This budget modification adds 1.0 FTE and about \$46,190 federal funds each year of the biennium. The legislature directed the department to administer the earthquake budget modification for the benefit of local schools to the maximum extent possible. The appropriation authorized by the legislature is lower than the Executive request due to vacancy savings reductions of 4 percent each year.

Funding

The program is funded by federal funds.

LOCAL REIMBURSEMENT-DES

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
FTE	.00	.00	.00	.00	.00	.00	.00	.00
Grants	<u>763,182</u>	<u>1,000,000</u>	<u>564,000</u>	<u>436,000-</u>	<u>1,000,000</u>	<u>540,000</u>	<u>460,000-</u>	<u>-26.10%</u>
Total Costs	\$763,182	\$1,000,000	\$564,000	\$436,000-	\$1,000,000	\$540,000	\$460,000-	-26.10%
<u>Fund Sources</u>								
Federal Revenue Fund	<u>763,182</u>	<u>1,000,000</u>	<u>564,000</u>	<u>436,000-</u>	<u>1,000,000</u>	<u>540,000</u>	<u>460,000-</u>	<u>-26.10%</u>
Total Funds	\$763,182	\$1,000,000	\$564,000	\$436,000-	\$1,000,000	\$540,000	\$460,000-	-26.10%

Program Description

The Local Civil Defense Reimbursement program receives, records, and disburses federal funds to eligible political subdivisions. Federal programs include, but are not limited to: emergency management assistance; emergency operation center construction and furnishing; communication and warning equipment; supporting materials; and disaster recovery. Political subdivisions must provide matching funds for all federal reimbursement programs except disaster recovery.

Legislative Intent

The department is directed to submit the disaster and emergency services budget request for the 1995 biennium in separate components for federally funded functions, and for functions supported by general fund including general fund allocated as match for federal funds.

Budget

The grants budget declines by 26.1 percent from fiscal 1990 to fiscal 1992. The budget reflects the amount of funding expected by the department for pass-through grants to operate ongoing disaster preparedness programs in local governments. In previous biennia, the appropriation of \$2 million had included authority for disaster assistance which is appropriated by Section 10-3-203(2), MCA. The 1991 legislature appropriated only operating funds in this program, with the intent that the department fund costs paid by federal aid related to specific disasters with a statutory appropriation.

6701 29 00000

LOCAL REIMBURSEMENT-DES

Funding

The program is funded by federal funds.

VETERANS' AFFAIRS PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	18.75	18.75	18.75	.00	18.75	18.75	.00	.00
Personal Services	401,206	440,240	422,630	17,610-	439,739	422,149	17,590-	5.34%
Operating Expenses	63,537	93,047	119,455	26,408	93,227	167,638	74,411	88.01%
Equipment	1,112	0	0	0	0	0	0	-100.00%
Total Costs	\$465,855	\$533,287	\$542,085	\$8,798	\$532,966	\$589,787	\$56,821	16.36%
<u>Fund Sources</u>								
General Fund	459,722	487,474	474,356	13,118-	487,165	468,162	19,003-	3.18%
State Revenue Fund	0	0	32,172	32,172	0	41,169	41,169	.00%
Federal Revenue Fund	6,133	45,813	35,557	10,256-	45,801	80,456	34,655	479.77%
Total Funds	\$465,855	\$533,287	\$542,085	\$8,798	\$532,966	\$589,787	\$56,821	16.36%

Program Description

The Veterans' Affairs Division provides a statewide service of assisting discharged veterans and their families, cooperating with state and federal agencies having to do with the affairs of veterans and their families, and promotes the general welfare of veterans with information on veterans' benefits. The program also administers the veterans' cemetery located at Fort Harrison in Helena.

Language

"The [veterans' cemetery budget modification] is contingent on the passage and approval of House Bill 723." This bill was signed into law.

Budget

Personal services increase 5.3 percent due to: 1) vacancy savings in fiscal 1990; and 2) continuation of the fiscal 1991 pay plan. The operating budget increases 88.0 percent due to: 1) passage of House Bill 723 (veterans' license plate fees) which adds \$22,500 in fiscal 1992 and \$46,500 in fiscal 1993; 2) including \$10,000 of state special revenue and \$20,000 of federal authority annually to operate the veterans' cemetery; 3) the cost of the legislative audit in fiscal 1992 (\$5,918); and 4) inflationary adjustments and fixed cost increases over the biennium.

VETERANS' AFFAIRS PROGRAM

Budget Modification

Modification Type	-----Executive-----			-----Legislative-----				
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) HB723 - Veterans' Cemetery	0.0	0.0	\$0	\$0	0.0	0.0	\$0	\$99,000

1) HB723 - Veterans' Cemetery - This budget modification adds \$22,500 of state special revenue in fiscal 1992 and \$31,500 state special revenue and \$45,000 federal revenue in fiscal 1993 on passage and approval of House Bill 723.

Funding

The program is funded by general fund, state special revenue, and federal funds. State special revenue includes donations from private sources to support the veterans' cemetery. The legislature appropriated state special revenue of \$10,000 annually to properly account for such donations which had been recorded in the federal fund type in the 1991 biennium. State special revenue from the sale of veterans' license plates, authorized by House Bill 723, adds \$22,500 in fiscal 1992 and \$31,500 in fiscal 1993. Federal funds also support cemetery operations and a 0.75 FTE cemetery sexton. Together the state special revenue and federal funds, included for the veterans' cemetery in the 1993 biennium, equal the amount of federal funding appropriated by the 1989 legislature. The balance of the program is supported by general fund.

HUMAN SERVICES



DEPARTMENT OF HEALTH & ENVIRONMENTAL SCIENCES

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	299.35	192.07	384.94	192.87	192.07	386.94	194.87	85.59
Personal Services	7,795,142	5,697,284	11,798,476	6,101,192	5,692,249	11,317,717	5,625,468	51.36%
Operating Expenses	7,261,122	4,857,952	22,090,726	17,232,774	4,837,405	17,446,797	12,609,392	204.23%
Equipment	372,198	342,914	711,025	368,111	50,667	240,963	190,296	91.03%
Grants	7,512,557	8,665,612	10,511,241	1,845,629	9,673,612	11,520,010	1,846,398	39.92%
Benefits and Claims	5,443,705	6,507,249	7,144,657	637,408	6,504,618	7,142,026	637,408	31.25%
Total Costs	\$28,384,724	\$26,071,011	\$52,256,125	\$26,185,114	\$26,758,551	\$47,667,513	\$20,908,962	84.10%
<u>Fund Sources</u>								
General Fund	3,151,507	2,897,312	3,606,644	709,332	2,946,151	3,599,368	653,217	14.44%
State Revenue Fund	3,563,363	1,485,517	12,813,236	11,327,719	1,404,940	7,702,783	6,297,843	259.58%
Federal Revenue Fund	20,738,173	20,717,370	34,392,520	13,675,150	21,434,167	34,979,316	13,545,149	65.84%
Proprietary Fund	931,681	970,812	1,443,725	472,913	973,293	1,386,046	412,753	54.96%
Total Funds	\$28,384,724	\$26,071,011	\$52,256,125	\$26,185,114	\$26,758,551	\$47,667,513	\$20,908,962	84.10%

Agency Description

The Department of Health and Environmental Sciences (DHES) was created to protect and promote the health of the people of Montana through the implementation of public health programs and the enforcement of public health laws and regulations. The department is also responsible for ensuring that a safe and healthful environment exists in Montana through implementation of environmental protection programs and enforcement of environmental laws and regulations. Department staff is responsible for: 1) assessment of health care and environmental needs and problems in cooperation with local and private sources; 2) development and implementation of programs designed to meet health and environmental needs and alleviate problems; and 3) continual evaluation of current public health and environmental programs. The department administers the maternal and child health block grant, the preventive health block grant, and categorical grants from the federal government. Examples of categorical grants include federal funding for solid and hazardous waste, and air and water quality programs. The department is provided for in Section 2-15-2101, MCA, and its general powers and duties are specified in Section 50-1-202, MCA.

Language

"The total appropriation for the department includes \$2,204,426 in fiscal 1992 and \$2,204,426 in fiscal 1993 from the maternal and child health block grant. To the extent revenues from the grant exceed these amounts, they must be distributed to the counties based

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upon identifiable needs. To the extent revenues from the grant are less than these amounts, allocations must be reduced proportionately among state programs and grants to counties."

"The total appropriation for the department includes \$644,771 in fiscal 1992 and \$644,771 in fiscal 1993 from the preventive health block grant. To the extent revenues from the grant exceed these amounts, they shall be distributed at the discretion of the director of the department of health and environmental sciences based upon identifiable health care needs. To the extent revenues from the grant are less than these amounts, the director of the department shall make program reductions."

"[The appropriation for indirect costs is calculated]...using the following rates applied to 100% of personal services:

	FY 92	FY 93
General Rate	14.00%	12.00%
Environmental Sciences Division	3.00%	3.00%
Statewide Cost Allocation	3.75%	3.75%

"Funds appropriated to the department [of Health and Environmental Sciences] for indirect cost recovery shall only be expended for that purpose."

"[The appropriation for environmental specialist pay exceptions]...may be used only to pay for the Blanket Pay Exception - Environmental Specialist Class Series and associated indirect costs, authorized by the Department of Administration on April 11, 1991."

Budget

The Executive Budget included a plan to reorganize the Department of Health and Environmental Sciences as part of a general reorganization of natural resource agencies. All environmental programs, with the exception of the Occupational Health, Asbestos Control, and Food and Consumer Safety programs, were included in the budget of the Department of Natural Resources and Conservation (Department of Natural Resources and Environment). This proposed reorganization was not enacted by the legislature. The Executive Budget also included funding for the Petroleum Release Compensation Board, pending action by the legislature removing its current statutory funding. Since this change was not approved, the board's expenditures continue to be statutorily funded in the 1993 biennium.

FTE increase by 85.59 in fiscal 1992 and by an additional 2.0 in fiscal 1993 due to budget modifications, continuation of FTE originally added via operational plan change in fiscal 1991 in the Superfund and State Superfund programs, and miscellaneous deletions. Personal services increase due to the additional FTE, pay plan exceptions granted by the Department of Administration, and continuation of the fiscal 1991 pay plan in the 1993 biennium. The legislature implemented a 4 percent across-the-board reduction in funding for the total agency personal services in fiscal 1992 and fiscal 1993, partially offsetting these increases. The pay plan increase for fiscal 1992 and fiscal 1993 (House Bill 509) is not included in the table above or in the program tables. The "Pay Plan" section in Volume I of this report includes a description of the pay plan increase and a table showing allocations to each agency.

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Personal services decrease from fiscal 1992 to fiscal 1993 because all biennial personal services added to continue the natural resources damage lawsuit against the Atlantic Richfield Company are included in fiscal 1992 only.

Operating expenses rise due primarily to budget modifications, an increase in indirect costs, and miscellaneous other additions described in the program narratives that follow.

The increase in equipment is primarily due to automation of the Women, Infants, and Children (WIC) offices in fiscal 1992.

Grants increase by 39.9 percent and benefits by 31.3 percent primarily due to an increase in federal funds available and increases in grants to nonprofit organizations for environmental activities.

Federal Block Grants

The department receives two federal block grants: 1) the maternal and child health block grant, and 2) the preventive health block grant. Actual fiscal 1990 expenditures and legislative allocations in the 1993 biennium are summarized in the table below.

Table 1
Allocation of the Federal Block Grants
1993 Biennium

----- Maternal and Child Health Block Grant -----			
<u>Revenue</u>	<u>Actual FY 90</u>	<u>Appropriated FY 92</u>	<u>Appropriated FY 93</u>
Total Federal Appropriation	\$2,396,333	\$2,204,426	\$2,204,426
<u>Disbursements</u>			
Dental/Medical Unit	\$55,369	\$43,874	\$43,844
Public Health Lab		46,039	45,725
Health Services Administration	28,340	30,078	30,038
Family Planning	29,000	28,871	28,871
Family/Maternal & Child Health Admin	184,978	221,097	219,079
Handicapped Children	835,083	839,828	837,737
Perinatal Program/Preventive Health Bureau Admin	152,894	179,786	179,125
Preventive Health Bureau Admin		5,187	6,967
Grants to Counties	671,765	689,090	689,090

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Vaccine		103,540	101,774
Low Birthweight Prevention	65,999		
Case Management	21,117		
Carryover to Counties	<u>351,788</u>		
Total Disbursements	<u>\$2,396,333</u>	<u>\$2,187,390</u>	<u>\$2,182,250</u>
Unallocated		\$17,036	\$22,176
----- Preventive Health Block Grant -----			
<u>Revenue</u>	<u>Actual</u>	<u>Appropriated</u>	<u>Appropriated</u>
	<u>FY 90</u>	<u>FY 92</u>	<u>FY 93</u>
Total Federal Appropriation	\$590,597	\$644,771	\$644,771
<u>Disbursements</u>			
Public Health Laboratories	\$66,743	\$65,415	\$65,207
Health Services Administration	12,633	13,469	13,439
Emergency Medical Services	166,797	187,131	187,633
Family Planning	202,015	204,083	204,082
Perinatal Program/PH Bureau Admin	69,667		
Preventive Health Bureau Admin		84,084	81,228
AIDS Education Counties		20,000	20,000
Health Education	42,631	47,635	47,842
Rape Crisis	11,968	11,968	11,968
Director's Discretion	<u>18,143</u>		
Total Disbursements	<u>\$590,597</u>	<u>\$633,785</u>	<u>\$631,399</u>
Unallocated		\$10,986	\$13,372

The department must expend at least \$11,290 for rape crisis each year in order to receive the preventive health block grant, which also includes a non-supplantation clause (the funds cannot be used to replace any current state support). The maternal and child health block grant has three primary requirements: 1) expenditures of state funds for similar programs must be maintained at least at the fiscal 1989 level; 2) at least 30 percent of the grant must be expended for services to children with special health care needs and 30 percent for primary care to pregnant women, mothers, and infants up to one year; and 3) the grant must be matched on a ratio of 3/7 state funds to 4/7 block grant. In the 1993 biennium, it is anticipated that this match will be met with general fund and

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state special revenues for current programs in DHES and the Office of Public Instruction and with services provided through the counties.

Resource Indemnity Trust (RIT) Interest

DHES is statutorily allocated a total of 16 percent of the RIT interest: 12 percent for hazardous waste/CERCLA activities and 4 percent to address the release of hazardous wastes not listed on the federal priority listing (state superfund), which is deposited to the Environmental Quality Protection Fund (EQPF). The following table shows anticipated revenues to and legislative appropriations from these two accounts receiving RIT interest in the 1993 biennium.

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Table 2
Disbursements of Funds Receiving RIT Interest
1993 Biennium

Revenues/Disbursements	----- 12% -----		----- EQPF -----	
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993
Beginning Fund Balance	\$749,198	\$843,731	\$828,358	\$924,548
Total Anticipated Revenue	<u>1,033,641</u>	<u>1,110,047</u>	<u>1,389,159*</u>	<u>1,422,316*</u>
Total Revenue Available	<u>\$1,782,839</u>	<u>\$1,953,778</u>	<u>\$2,217,517</u>	<u>\$2,346,864</u>
<u>Disbursements</u>				
Department of Health				
Env. Quality Protection Fund			\$1,000,000	\$1,000,000
Solid/Hazardous Waste Div.				
Hazardous Waste	\$182,511	\$179,990		
Underground Storage Tanks	56,643	55,737		
Leaking Underground Storage Tanks	78,805	78,463		
Superfund Core	23,525	23,231		
State Superfund			292,969	313,128
Water Quality Division				
Water Quality Management	124,459	121,832		
Water Pollution Control	83,267	83,242		
Public Water Supply	183,140	181,552		
Clark Fork	105,264	104,848		
EQC Groundwater	<u>101,494</u>	<u>99,903</u>		
Total Disbursements	<u>\$939,108</u>	<u>\$928,798</u>	<u>\$1,292,969</u>	<u>\$1,313,128</u>
Ending Fund Balance	\$843,731	\$1,024,980	\$924,548	\$1,033,736

*Four percent RIT totals \$325,293 in fiscal 1992 and \$347,151 in fiscal 1993. The revenue estimates assume \$1,000,000 damages and other reimbursements to the EQPF.

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Indirect Costs

Certain functions in the Centralized Services Division and the Director's Office are funded with indirect charges because they provide services department-wide. All Department of Administration data network charges will also be funded with indirect assessments in the 1993 biennium. The charge is assessed against the actual personal services costs of all programs. The following table shows the programs and current level costs funded with indirect charges and the amounts added to the divisions and programs of the department to fund the assessment.

Table 3
Indirect Costs - Recipient and Assessed Programs
1993 Biennium

Program	Actual Fiscal 1990	Appropriated Fiscal 1992	Appropriated Fiscal 1993
Director's Office			
Director	\$225,787	\$227,819	\$227,853
Budget Modifications		25,529	25,472
Centralized Services			
Division Administration	171,018	155,287	157,368
Support Services*	534,876	683,645	629,477
Budget Modifications		46,922	46,818
Environmental Sciences			
Division Administration	0	145,559	142,903
Total	<u>\$931,681</u>	<u>\$1,284,761</u>	<u>\$1,229,891</u>

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	Actual Fiscal 1990	Assessed Programs	Appropriated Fiscal 1992	Appropriated Fiscal 1993
<u>Program</u>				
Director's Program	\$25,472		\$37,614	\$32,232
Centralized Services**	118,820		147,104	126,085
Budget Modifications			11,359	9,727
Environmental Sciences	138,062		216,976	193,529
Budget Modifications			170,182	72,475
Solid/Hazardous Waste	166,215		340,056	304,335
Budget Modifications			131,599	119,902
Water Quality	177,584		298,305	268,234
Budget Modifications			120,088	109,601
Health Services	60,501		63,609	54,899
Family/MCH Bureau	99,353		132,023	116,833
Preventive Health Bureau	84,217		98,648	87,289
Budget Modifications			9,381	8,306
Licensing and Certification	104,935		163,715	143,327
Budget Modifications			84,872	74,418
Total	<u>\$975,159</u>		<u>\$2,025,531</u>	<u>\$1,721,192</u>

*Includes all Department of Administration data network charges totaling \$137,298 in fiscal 1992 and \$137,299 in fiscal 1993.

As shown, indirect costs assessed are significantly higher than actual fiscal 1990 costs and exceed the indirect-supported program costs. This is due to three factors:

- 1) A portion of the assessment made against federal funds is deposited to the general fund under the statewide cost allocation plan (SWCAP).
- 2) The rate in fiscal 1990 was applied against actual personal services costs. The 1993 biennium rate is applied for budgeting purposes against the budgeted personal services costs, which are higher due to additional FTE.
- 3) Environmental Sciences Division Administration, which had been entirely funded with general fund and state RIT interest, will now be supported through indirect charges made against all funding sources in the division. As a result, all programs of the Environmental Sciences Division, including the Solid and Hazardous Waste Bureau and the Water Quality Bureau, will be assessed an additional rate.

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Language in House Bill 2 specifies the indirect rates to be charged each program. The legislature also expressed its intent that the indirect charges appropriated in the 1993 biennium not be used to expand agency operations funded with indirect charges.

Pay Plan Exceptions

In fiscal 1991, the Department of Administration granted pay plan exceptions (which extend for two years) to environmental engineers, environmental specialists, and health care facility surveyors. The legislature fully funded these increases, which are shown in the following table. The table includes the 4 percent personal services reduction.

Table 4
Pay Plan Exceptions Granted
1993 Biennium

	<u>Fiscal 1992</u>	<u>Fiscal 1993</u>
<u>Expenditures</u>		
Environmental Engineers		
Environmental Sciences Division	\$21,664	\$21,617
Solid/Hazardous Waste Bureau	12,810	12,781
Water Quality Bureau	74,083	73,894
Environmental Specialists		
Environmental Sciences Division	69,317	69,317
Solid/Hazardous Waste Bureau	201,780	202,857
Water Quality Bureau	105,564	107,976
Facility Surveyors		
Licensing/Certification/Construction Bureau	121,159	120,875
Indirect Assessments	<u>113,982</u>	<u>106,790</u>
Total Expenditures	<u>\$720,359</u>	<u>\$716,107</u>
<u>Funding</u>		
General Fund		
State Special Revenue	\$85,917	\$87,766
Federal Funds	211,598	212,132
	<u>422,844</u>	<u>416,209</u>
Total Funding	<u>\$720,359</u>	<u>\$716,107</u>

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Budget Modifications

Modification Type	Executive		Legislative		Total 92-93
	FTE FY92	FTE FY93 General Fund 92-93	FTE FY92	FTE FY93 General Fund 92-93	
1) Personnel Officer*	1.00	1.00	1.00	1.00	\$51,001
2) Legal Services Charge System					165,794
3) Support Staff*	2.00	\$165,794	2.00	\$165,794	93,740
4) Newborn PKU Screening	1.00	15,000	1.00	1.00	105,324
5) Safe Drinking Water - Chem	1.00		1.00	1.00	80,332
6) Safe Drinking Water - PH+	1.00		1.00	1.00	79,153
7) Air Quality Bureau*	6.50		6.50	6.50	662,105
8) Air Quality Bureau Permits*			6.00	6.00	599,317
9) HB 987 - Reg. of Public Accommodations					20,250
10) HB 988 - Reg. of Campgrounds, etc.					31,500
11) HB 989 - Reg. of Food Establishments					330,000
12) HB 994 - Reg. of Swimming Pools					153,000
13) Asbestos Control Program	1.00		1.00	1.00	185,158
14) Natural Resource Lawsuit** +	8.00		8.00	9.00	4,908,049
15) Specialist Pay Exceptions					164,467
16) Hazardous Waste*	4.00		4.00	4.00	388,646
17) Landfill Management - I*	3.00		3.00	3.00	274,868
18) Landfill Management - II			5.34	5.84	595,442
19) BN/ARCO Special Projects*	5.00		5.00	5.00	621,246
20) Specialist Pay Exceptions					475,579
21) HB 660 - Landfill			2.00	2.00	190,016
22) Ag Monitoring****					30,000
23) SB 136 - Water Quality Dist.			0.50	0.50	37,043
24) Groundwater Pollution Ctrl*	2.00		2.00	2.00	223,576
25) Groundwater - EQC Lawyer			1.00	1.00	91,968
26) Groundwater - EQC Permit Rev			2.50	2.50	201,397
27) Wastewater Operators*** +	0.25		0.25	0.25	19,688
28) Subdivisions*** +	1.00		1.00	1.00	84,599
29) Public Water Supply* +	9.25	86,795	9.25	9.75	1,853,959
30) Nonpoint Source Pollution*	2.00		2.00	2.00	2,845,459
31) Specialist Pay Exceptions					4,252,353
32) Child Nutrition					4,276,000
33) Women, Infants, Children+					2,244,972
34) MIAMI Program					341,076
35) Chronic Disease Prevention	0.50		0.50	0.50	79,904
36) Sexually Transmitted Diseases+	1.50		1.50	1.50	158,212
37) AIDS Education to Counties					40,000
38) Vaccine					205,314
39) AIDS+					66,334

DEPARTMENT OF HEALTH & ENVIRONMENTAL SCIENCES

40) Federal Nursing Home Reform	15.00	15.00	118,431	1,706,477	15.00	15.00	111,782	1,638,463
41) Fed Nursing Home Ref - Hearings							<u>23,975</u>	<u>274,004</u>
Total	65.00	66.50	\$386,020	\$21,118,856	82.34	84.34	\$769,605	\$25,139,308

* * Originally proposed in the Department of Natural Resources and Environment in the Executive Budget.
 ** Originally proposed in the Governor's Office in the Executive Budget. OBPP presented the revised modification adopted by the legislature on February 21.
 *** Originally part of the Public Water Supply modification in the Executive Budget.
 **** Proposed as a continuation of a prior appropriation in the Executive Budget.
 + Included in revised Executive Budget (total request not shown in Executive column in the main table above).

These budget modifications are described in the program narratives.

Funding

General fund increases 14.4 percent primarily because of the increased indirect assessments and the addition of budget modifications, partially offset by the 4 percent personal services reduction. State special revenue increases by 259.6 percent, primarily due to the addition of fees to support additional air quality, landfill, and public water supply services, funding of the natural resources lawsuit against Atlantic Richfield (ARCO), the addition of authority to expend funds from the Environmental Quality Protection Fund, and additional laboratory expenditures. Federal revenue increases 65.8 percent primarily due to expansions in the environmental programs and increased federal fund availability for nutritional programs and facility licensure and certification. Proprietary revenue, which consists of indirect charges to fund central functions of the department and charges by the Legal Unit, rises due to budget modifications and the change in funding of the Legal Unit and Environmental Sciences Division Administration.

Other Legislation

Bill No./Description	Fiscal 1992		Fiscal 1993	
	FTE	General Fund	FTE	General Fund
HB 414 - Water Quality Rehab				
HB 696 - Genetics Program				
HB 728 - Food and Nutrition		1,069,299	***	***
HB 876 - MIAMI Program		<u>14,000</u>	***	<u>62,882</u>
Totals	0.00	<u>\$1,083,299</u>	<u>0.00</u>	<u>\$62,882</u>

* Statutory appropriation.
 ** Federal funds totaling \$7,000 is a biennial appropriation.
 *** Biennial appropriation.

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House Bill 8 appropriates a total of \$664,870 over the biennium for various reclamation and development projects to be completed by DHES, funded with Resource Indemnity Trust (RIT) interest from the reclamation and development account. The funds are appropriated to the Department of Natural Resources and Conservation to grant to DHES and do not appear in the table.

House Bill 414 establishes a water quality rehabilitation account and statutorily appropriates funds in the account to the department to respond to emergency water pollution events and to repair or mitigate damage. A maximum of \$20,000 each year of fines and civil penalties collected are deposited into the account up to an account maximum of \$100,000. Any excess over these amounts is deposited to the general fund.

House Bill 696 appropriates \$1,069,299 of general fund over the biennium for continuation of the genetics program. The department contracts with Shodair Hospital to provide testing, counseling, and education to parents and prospective parents. The general fund appropriation is offset by a fee of \$.70 for each Montana resident insured under any individual or group disability or health insurance policy. These fees are deposited in the general fund.

House Bill 728 appropriates \$7,000 of federal funds over the biennium to fund a state advisory council on food and nutrition, and federal funds of \$67,075 in fiscal 1992 and \$62,882 in fiscal 1993 to fund a public health nutritionist. The legislation also mandates that a plan for expanding the Women, Infants, and Children program to all Montana counties be submitted to the 1993 legislature.

House Bill 876 appropriates \$14,000 of general fund over the biennium to the department to expand the MIAMI program to include morbidity review of births involving low birthweight babies.

DIRECTOR'S OFFICE

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
FTE	11.00	11.00	13.00	2.00	11.00	13.00	2.00	2.00
Personal Services	393,560	465,464	477,264	11,800	464,850	476,663	11,813	21.27%
Operating Expenses	105,544	221,707	198,240	23,467-	223,366	193,144	30,222-	87.83%
Equipment	<u>1,250</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-100.00%</u>
Total Costs	\$500,354	\$687,171	\$675,504	\$11,667-	\$688,216	\$669,807	\$18,409-	35.01%
<u>Fund Sources</u>								
General Fund	213,500	245,478	219,318	26,160-	245,591	216,483	29,108-	2.73%
State Revenue Fund	5,697	0	0	0	0	0	0	-100.00%
Federal Revenue Fund	55,370	93,087	43,874	49,213-	93,632	43,844	49,788-	-20.76%
Proprietary Fund	<u>225,787</u>	<u>348,606</u>	<u>412,312</u>	<u>63,706</u>	<u>348,993</u>	<u>409,480</u>	<u>60,487</u>	<u>82.61%</u>
Total Funds	\$500,354	\$687,171	\$675,504	\$11,667-	\$688,216	\$669,807	\$18,409-	35.01%

Program Description

The Director's Office provides for the overall management and policy development of the department. Included in this program are:

- 1) the Director, which includes the deputy director and personnel unit;
- 2) the Board of Environmental Sciences, which is a quasi-judicial board appointed by the Governor to advise the department in public health matters;
- 3) Legal Unit, which provides legal representation for the department in addition to enforcing several federal statutes, such as the Federal Clean Air Act, the Resource and Recovery Act, the Clean Water Act, and respective implementing regulations; and
- 4) Medical/Dental Unit, which provides education and preventive services to improve the oral and physical health of Montanans.

Language

"The Director's Office includes \$82,897 of general fund each year within the Legal Unit that may only be used to pay legal services billed to programs funded by the general fund within the Department of Health and Environmental Sciences. None of this appropriation may be transferred to other programs."

DIRECTOR'S OFFICE

Budget

FTE increase by 2.0 as the net result of four adjustments: 1) the 1.0 FTE dentist position was eliminated; 2) a 1.0 FTE medical director was added to advise the department director on medical issues, as the director is no longer required to be a medical doctor; 3) 1.0 FTE legal staff was transferred from the Air Quality and Solid and Hazardous Waste bureaus to the Legal Unit; and 4) 1.0 FTE personnel specialist was added in the budget modification discussed below.

Personal services increase due to the additional FTE, continuation of the fiscal 1991 pay plan increase in the 1993 biennium, and vacancy savings experienced in fiscal 1990, partially offset by the application of a 4 percent personal services reduction.

Operating expenses increase from fiscal 1990 to fiscal 1992 primarily due to: 1) the addition of \$82,897 each year in a budget modification for legal services for programs supported by the general fund (Budget Modification #2); 2) an increase in indirect charges of \$12,142 in fiscal 1992 and \$6,760 in fiscal 1993; and 3) a reduction in dental operating expenses of \$9,258 to \$25,000 each year due to elimination of the dentist position. The remaining expenses are to purchase dental supplies for distribution to schools.

Budget Modifications

Modification Type	FTE		Executive		Legislative		Total
	FY92	FY93	FY92	FY93	FY92	FY93	
1) Personnel Specialist	1.00	1.00			1.00	1.00	\$ 51,001
2) Legal Services Charge System	0.00	0.00			0.00	0.00	165,794
							<u>\$165,794</u>
Total	1.00	1.00			1.00	1.00	\$216,795
							<u>\$218,959</u>
							<u>\$ 53,165</u>
							<u>165,794</u>

1) Personnel Specialist - 1.0 FTE and \$25,529 in fiscal 1992 and \$25,472 in fiscal 1993 were added to continue a personnel specialist added via budget amendment in fiscal 1990 to assist current staff due to increased workload resulting from program expansion and staff turnover. The position is funded with indirect charges.

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DIRECTOR'S OFFICE

added to pay for legal charges billed to general fund supported programs as needed. In fiscal 1990, state special revenue consisted of RIT funds for the EN and Clark Fork civil action and fees used to pay for a portion of the Legal Unit's data base.

CENTRALIZED SERVICES

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	60.50	58.50	65.50	7.00	58.50	65.50	7.00	5.00
Personal Services	1,449,092	1,559,199	1,648,526	89,327	1,558,876	1,648,108	89,232	13.76%
Operating Expenses	703,833	827,536	1,026,771	199,235	823,769	845,067	21,298	45.88%
Equipment	244,947	81,164	81,164	0	1,927	1,927	0	-66.87%
Total Costs	\$2,397,872	\$2,467,899	\$2,756,461	\$288,562	\$2,384,572	\$2,495,102	\$110,530	14.95%
Fund Sources								
General Fund	598,318	684,091	575,412	108,679-	686,065	562,668	123,397-	-3.83%
State Revenue Fund	932,017	989,849	1,081,941	92,092	903,311	886,976	16,335-	16.09%
Federal Revenue Fund	161,643	171,753	213,254	41,501	170,896	211,795	40,899	31.93%
Proprietary Fund	705,894	622,206	885,854	263,648	624,300	833,663	209,363	25.49%
Total Funds	\$2,397,872	\$2,467,899	\$2,756,461	\$288,562	\$2,384,572	\$2,495,102	\$110,530	14.95%

Program Description

The Centralized Services Division provides support services for the department in the areas of financial reporting, budgeting, accounting, grants and contracts management, statistical services, record keeping, laboratory services, and other support activities as required to promote and protect the health and safety of Montana citizens. The Centralized Services Division consists of four bureaus: Support Services, Vital Records and Statistics, Chemistry Laboratory, and the Public Health Laboratory.

Language

"[The Centralized Services Division includes] ...a biennial appropriation that may be used only if the demand for reimbursable services requires expenditures for supplies, materials, and communications in excess of the appropriated levels of \$184,820 in fiscal 1992 and \$184,597 in fiscal 1993."

"[The Chemistry and Microbiology Laboratories]...include a total of \$25,000 of general fund each year that must be used to perform tests as needed on behalf of the Food and Consumer Safety and Occupational Health Bureaus within the department. If these funds are not needed for testing in the Food and Consumer Safety and Occupational Health Bureaus, they may be expended for other services within the laboratories."

CENTRALIZED SERVICES

"It is the intent of the legislature that the department determine the feasibility of funding the public health and chemistry laboratories through proprietary and special revenue accounts with little or no use of general fund money, except as specified to support testing for the Food and Consumer Safety and Occupational Health Bureaus. If the department determines that such accounting is feasible and saves general fund money, then on or after July 1, 1991, the department may request that the approving authority authorize a proprietary account and reduce the general fund appropriation by a like amount. If this occurs, the general fund appropriation must remain at \$25,000 to provide necessary testing for the Food and Consumer Safety and Occupational Health Bureaus."

Budget

The Centralized Services Division's budget increases by 15.0 percent primarily due to four budget modifications, budgeting all Department of Administration data network charges in this division, and authority to provide additional testing in the laboratories.

FTE increase by 5.0 over the fiscal 1990 level due to the addition of four budget modifications discussed below. Personal services increase 13.8 percent due to the additional FTE, vacancy savings experienced in fiscal 1990, and continuation of the fiscal 1991 pay plan increase in the 1993 biennium. The increase is partially offset by application of a 4 percent personal services reduction.

Operating expenses rise because: 1) \$31,593 of a biennial appropriation of \$44,274 for audit costs was expended in fiscal 1990, while audit costs are \$53,666 in fiscal 1992; 2) all Department of Administration data network fees for the department totaling \$137,298 in fiscal 1992 and \$137,299 in fiscal 1993 are added to the Support Services Bureau, funded with indirect charges; 3) maintenance contracts on equipment purchased in fiscal 1990 in the Chemistry Laboratory add \$20,682 each year; 4) a biennial appropriation of \$100,000 as a contingency should laboratory testing demand be greater than anticipated was added in fiscal 1992, (funded with laboratory fee income); 5) indirects increase by \$39,643 in fiscal 1992 and \$16,992 in fiscal 1993 over the fiscal 1990 level; and 6) the budget modifications discussed below add \$22,240 in fiscal 1992 and \$22,242 in fiscal 1993. These increases are partially offset by: 1) a reduction in Department of Administration insurance costs of \$24,309 in fiscal 1992 and \$22,689 in fiscal 1993 from the fiscal 1990 level; and 2) a reduction in printing costs of \$8,000 in fiscal 1993 in the Records and Statistics Bureau due to cyclical printing requirements. The remainder of the increase is due primarily to inflation.

Equipment consists of: 1) \$1,927 for miscellaneous equipment in the Support Services Bureau each year; 2) \$32,000 for a high pressure liquid chromatograph in the Chemistry Laboratory in fiscal 1992; and 3) \$47,237 for PKU testing equipment in the Public Health Laboratory in fiscal 1992.

CENTRALIZED SERVICES

Budget Modifications

Modification Type	-----Executive-----			-----Legislative-----				
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) Support Staff*	2.00	2.00	\$15,000	\$112,683	2.00	2.00		\$93,740
2) Newborn PKU Screening	1.00	1.00		109,245	1.00	1.00		105,324
3) Safe Drinking Water - Chem	1.00	1.00		84,423	1.00	1.00		80,332
4) Safe Drinking Water - PH+	1.00	1.00		82,226	1.00	1.00		79,153
Total	5.00	5.00	\$15,000	\$388,577	5.00	5.00	\$0	\$358,549

*In the proposed Department of Natural Resources and Environment in the Executive Budget.

+Included in the revised Executive Budget (not shown in the Executive column in the main table above).

1) Support Staff - Two FTE and indirect funds of \$46,922 in fiscal 1992 and \$46,818 in fiscal 1993 were added due to increased workload associated with federal reporting and accounting requirements.

2) Newborn PKU Screening - One FTE and \$76,552 in fiscal 1992 and \$28,772 in fiscal 1993 were added to perform repeat testing in the Newborn PKU Testing program to assure that quality assurance standards are met. Equipment of \$47,237 is included in fiscal 1992 only. The modification is funded with fees charged for the testing.

3) Safe Drinking Water - Chemistry Laboratory - This modification adds 1.0 FTE and related expenses totaling \$40,479 in fiscal 1992 and \$39,853 in fiscal 1993 to handle changes in federal regulations and additional federal testing requirements for the safe drinking water laboratory certification program. The position was originally added via budget amendment in fiscal 1991 and is funded with laboratory fee income.

4) Safe Drinking Water - Public Health Laboratory - A second position added via budget amendment in fiscal 1991 due to changes in federal safe drinking water requirements was added in the Public Health Laboratory. Total personal services and related operating expenses are funding with laboratory fee income of \$39,847 in fiscal 1992 and \$39,306 in fiscal 1993.

Funding

The following table shows each of the components of the Centralized Services Division and its related funding.

CENTRALIZED SERVICES

Table 6
Centralized Services Division Funding
Fiscal 1990, 1993 Biennium

	---Fiscal 1990--- FTE	Expenditures	---Fiscal 1992--- FTE	Appropriation	---Fiscal 1993--- FTE	Appropriation
Division Administration	3.00					
Indirect Assessments		\$171,018	3.00	\$155,287	3.00	\$157,368
Support Services	17.50		19.50		19.50	
Film Library Fees		17,627		15,396		15,186
Indirect Assessments		534,876		730,567		676,295
Records and Statistics	16.00		16.00		16.00	
General Fund		256,722		277,423		269,695
Vital Statistics (State Special)		99,638		112,937		104,221
Federal Contracts		94,900		101,800		100,863
Chemistry Laboratory	7.00		8.00		8.00	
General Fund		88,277		99,140		98,004
Laboratory Income		451,478		318,678		284,330
Public Health Laboratory	17.00		19.00		19.00	
General Fund		253,319		198,849		194,969
Laboratory Income		363,274		634,930		483,239
Preventive Health Block Grant		66,743		65,415		65,207
Maternal/Child Hlth Block Grant				46,039		45,725
Total	60.50	\$2,397,872	65.50	\$2,756,461	65.50	\$2,495,102

State special revenue consists of vital statistics and laboratory income and increases 16.1 percent primarily due to increased laboratory testing. Vital statistics income is derived from the sale of birth and death certificates and represents the anticipated income. Federal funds consist of film library fees, federal contracts, and block grant funds. Film library fees are from the Emergency Medical Services Bureau within the department and from the Department of Institutions and are used to support the film library. Federal contracts are with the National Center for Health Statistics and the National Death Index for the provision of state health statistics. Within the Public Health Laboratory, maternal and child health block grant replaces an equal amount of general fund, which was added to the Montana Initiative for the Abatement of Mortality in Infants (MIAMI) program. For a further discussion, see the Family/Maternal Child Health Bureau. Preventive health block grant funds are added for those laboratory services provided for the indigent population.

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Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	34.53	14.00	55.53	41.53	14.00	56.53	42.53	21.00
Personal Services	1,027,746	456,554	2,045,947	1,589,393	456,084	1,543,779	1,087,695	99.07%
Operating Expenses	499,573	252,065	6,182,425	5,930,360	253,641	1,915,772	1,662,131	1137.54%
Equipment	39,689	0	220,207	220,207	0	46,177	46,177	454.83%
Grants	298,660	237,500	651,381	413,881	237,500	652,150	414,650	118.10%
Total Costs	\$1,865,668	\$946,119	\$9,099,960	\$8,153,841	\$947,225	\$4,157,878	\$3,210,653	387.76%
Fund Sources								
General Fund	866,534	555,582	899,129	343,547	556,744	891,306	334,562	3.76%
State Revenue Fund	339,150	390,537	7,019,850	6,629,313	390,481	2,102,319	1,711,838	1969.84%
Federal Revenue Fund	659,984	0	1,035,422	1,035,422	0	1,021,350	1,021,350	56.89%
Proprietary Fund	0	0	145,559	145,559	0	142,903	142,903	.00%
Total Funds	\$1,865,668	\$946,119	\$9,099,960	\$8,153,841	\$947,225	\$4,157,878	\$3,210,653	387.76%

Division Description

The Environmental Sciences Division includes the environmental programs in Division Administration, the Air Quality Bureau, the Food and Consumer Safety Bureau, and the Occupational Health Bureau. The Environmental Sciences Division Administration oversees various programs in the Environmental Sciences Division, the Solid and Hazardous Waste Bureau, and the Water Quality Bureau. The Air Quality Bureau is responsible for maintaining outdoor air quality levels considered safe to the public health and welfare through permit review, inspections, monitoring, and information dissemination. The Occupational Health Bureau is responsible for administering the Radiological Health Program, with primary emphasis on inspection of x-ray machines; the regulation of asbestos consultants, contractors, and workers; and provision of measurement and technical expertise to ensure safety in homes and work places. The Food and Consumer Safety Bureau is responsible for ensuring healthful conditions exist and are maintained in food serving and processing establishments, hotels, motels, and trailer parks and for providing training and support services to local health agencies and sanitarians.

Language

*The department is authorized to receive an interentity loan from the general fund for no more than \$4,928,894 for the purpose of conducting the Clark Fork natural resources damage assessment and litigation against the Atlantic Richfield Company [ARCO]. Repayment

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of this loan is extended through the end of the 1993 biennium in accordance with 17-2-107, MCA. The repayment shall include interest on the amount loaned at a rate commensurate with rates earned in the short-term investment pool."

"The Natural Resource Damage Litigation Program Policy Committee is formed to ensure cooperation and unity among the State of Montana's natural resource agencies in carrying out their responsibilities as representatives of the Governor, who is the trustee of the state's natural resources. The policy committee shall guide and make Natural Resource Damage Litigation program policy recommendations. The appropriation of \$4,928,894 to continue the natural resources lawsuit against AROO will be overseen by the policy committee, which consists of the following individuals or their designated representatives: the Governor's Energy and Environmental Policy Advisor, the directors of the Departments of Health and Environmental Sciences; Fish, Wildlife, and Parks; and the commissioner of the Department of State Lands. The Attorney General or his designated representative may act in an advisory capacity to the Natural Resource Damage Litigation Program Policy Committee."

Budget

Administration, the Air Quality Bureau, and EIS/Variance reviews and the Environmental Quality Protection Fund are included in the Department of Natural Resources and Conservation in the Executive Budget and do not appear in the "Executive" column in the main table above.

FTE increase by 21.0 in fiscal 1992 and an additional 1.0 in fiscal 1993 due to the budget modifications discussed below and the transfer of 0.5 FTE legal staff to the Legal Unit. Personal services increase due to the additional staff, which adds \$859,666 in fiscal 1992 and \$358,550 in fiscal 1993; vacancy savings experienced in fiscal 1990; pay plan exceptions awarded to environmental engineers and specialists, which add \$90,981 in fiscal 1992 and \$90,934 in fiscal 1993; and continuation of the fiscal 1991 pay plan in the 1993 biennium. The increase is partially offset by application of a 4 percent personal services reduction.

Operating expenses increase 1137.5 percent from fiscal 1990 to fiscal 1992 and 283.5 percent from fiscal 1990 to fiscal 1993 primarily for the following reasons: 1) \$1,000,000 of authority was added each year to allow the department to expend funds from the Environmental Quality Protection Fund (EQPF) if an environmental emergency occurs; 2) a biennial appropriation of \$4,145,154 was added for operating expenses associated with the AROO lawsuit discussed in Budget Modification #5; 3) other budget modifications discussed below add \$229,699 in fiscal 1992 and \$228,310 in fiscal 1993; 4) indirect assessments increase by \$249,096 in fiscal 1992 and \$127,942 in fiscal 1993 due to the additional FTE, the pay plan exceptions, and because division administration is funded with indirect assessments in the 1993 biennium; 5) \$48,950 in spending authority was added each year for variance reviews and environmental impact statements (the division expended \$1,050 in fiscal 1990, while the 1993 biennium budget includes \$50,000 per year); and 6) \$12,383 was added to the Air Quality Bureau to contract for on-going services.

Equipment consists of air monitoring equipment in the Air Quality Bureau totaling \$46,177 each year, and \$174,030 for the biennium for a computerized information system and miscellaneous office equipment for the AROO lawsuit.

Non-operating expenses consist of grants in the Air Quality and Food and Consumer Safety Bureaus. Air quality grants, which are made to counties with qualified personnel to monitor local air quality, total \$190,331 in fiscal 1992 and \$191,100 in fiscal 1993. This

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represents an increase of over \$87,000 each year over the fiscal 1990 level due to the provision of additional support in western Montana. Food and consumer safety grants are made to local entities to defray their inspection costs and total \$461,050 each year, or an increase of \$264,975 over the fiscal 1990 level. Food purveyors, and campground, hotel/motel, and swimming pool operators pay a fee ranging from \$40 to \$75 per year, of which 85 percent is deposited to the local board inspection account to grant to local entities. The remainder is deposited to the general fund and to a state special revenue account to defray department operating expenses. Fees were increased in the 1993 biennium due to additional duties, causing the increase in grants.

Budget Modifications

Modification Type	Executive		Legislative	
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) Air Quality Bureau*	6.50	6.50		\$662,105
2) Air Quality Bureau Permits*				599,317
3) Reg. of Public Accommodations				20,250
4) Reg. of Campgrounds, etc.				31,500
5) Reg. of Food Establishments				330,000
6) Reg. of Swimming Pools				153,000
7) Asbestos Control Program	1.00	1.00		185,158
8) Natural Resource Lawsuit** +	8.00	9.00		4,908,049
9) Specialist Pay Exceptions				164,467
Total	15.50	16.50	\$0	\$7,053,846

* Included in the proposed Department of Natural Resources and Environment in the Executive Budget.

**Originally requested in the Governor's Office in the Executive Budget. OBPP presented the revised modification adopted by the Legislature on February 21.

+ Included in the revised Executive Budget (not shown in the Executive column in the main table above).

1) Air Quality Bureau - This modification was added to implement EPA mandated responsibilities for the Montana Air Quality program and to provide additional support for county air quality programs in western Montana. The addition is funded with federal funds totaling \$248,386 in fiscal 1992 and \$247,976 in fiscal 1993 and with fees assessed against pollution sources totaling \$84,972 in fiscal 1992 and \$80,771 in fiscal 1993. Collection and expenditure of the fees was authorized in House Bill 781.

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- 2) Air Quality Bureau - Permits - A second modification in the Air Quality Bureau adds 6.0 FTE and related operating expenses to expedite permit review due to current delays. The addition of \$301,338 in fiscal 1992 and \$297,979 in fiscal 1993 is entirely funded with permit fees authorized in House Bill 781.
- 3), 4), 5), and 6) Regulation of Public Accommodations, Campgrounds, Food Establishments, and Swimming Pools - State special revenue totaling \$267,375 was added each year due to new and expanded licensing and inspection requirements included in House Bills 987, 988, 989, and 994. The increase, which includes grants of \$223,550 and department operating expenses of \$43,825 each year, is funded with new and increased fees on operators.
- 7) Asbestos Control Program - 1.0 FTE added via budget amendment in fiscal 1991 is continued due to increased workload in the Asbestos Control program. The modification is entirely funded with asbestos permit fees and civil penalties. Expenditure of the fees and penalties to support the Asbestos Control Program was authorized in Senate Bill 288.
- 8) Natural Resources Damage Assessment and Litigation - A biennial appropriation of \$4,908,049 of state special revenue was added to continue the natural resources lawsuit against AROO. The department is authorized to receive an interentity loan from the general fund, which would be paid back through reimbursements from AROO. All expenditures for the biennium appear in fiscal 1992 only in the main table. The personal services reduction reduced the appropriation from the level included in the House Bill 2 language.
- 9) Specialist Pay Exceptions - Funding for pay plan exceptions and related indirect assessments for environmental specialists in the Air Quality Bureau, Asbestos Control program, and the natural resource lawsuit was added, at a total cost of \$82,927 in fiscal 1992 and \$81,540 in fiscal 1993 of state and federal special revenue funds.

Funding

The following table shows the various components of the Environmental Sciences Division and related funding.

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Table 7
Environmental Sciences Division Funding
Fiscal 1990, 1993 Biennium

	--- Fiscal 1990 ---	--- Fiscal 1992 ---	--- Fiscal 1993 ---
	<u>FTE</u>	<u>FTE</u>	<u>FTE</u>
	<u>Expenditures</u>	<u>Appropriation</u>	<u>Appropriation</u>
Division Admin			
General Fund	3.00		
RIT Funding		3.00	3.00
Indirect Charges			
Air Quality	18.53		
General Fund		\$145,559	\$142,903
Air Quality Fees		348,929	348,843
State Lands		386,310	378,750
Smoke Management (State Special)		46,408	45,200
Federal 106 Grant		930,215	918,325
Occupational Health	3.50		
General Fund		187,558	185,238
EIS Variance			
Variance Review		50,000	50,000
Food and Consumer Safety	8.00		
General Fund		362,642	357,225
Local Board Inspection (State Special)		500,704	500,672
Asbestos Program	1.50		
RIT		2.50	2.50
Asbestos Fees			
Natural Resource Damage Suit*		150,659	149,182
ARCO Reimbursements			
Specialist Pay Exceptions		4,908,049	
State Special Revenue			
Federal Special Revenue		24,129	23,715
Environmental Quality Protection		58,798	57,825
Environmental Quality Protection Fund			
		\$1,000,000	\$1,000,000
Total	34.53	\$1,865,668	\$4,157,878
		55.53	56.53
*Biennial Appropriation			

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In the 1993 biennium, division administration will be funded with indirect charges collected through an assessment of 3 percent of personal services costs prior to the 4 percent personal services reduction in all programs of the division, including the Solid and Hazardous Waste and Water Quality Bureaus. Contingent upon a change in statute allowing collection, a portion of the costs of the Air Quality Bureau will be funded through permit fees assessed against pollution sources. The Department of State Lands supports 1.0 FTE involved in monitoring air quality near mining sites. Variance review fees are reimbursements for the cost of performing variance reviews and environmental impact statements. In the Food and Consumer Safety Bureau, local board inspection fees are passed through to local entities to defray their inspection costs. The Asbestos Control program was supported with RIT funds in the 1991 biennium. Any income collected through civil penalties and project permits was deposited to the RIT account. The program will be directly funded with project permit fees and civil penalties income in the 1993 biennium. The EQPF receives penalties and recovered natural resource damages and remedial action costs.

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<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
FTE	52.00	.00	78.59	78.59	.00	79.09	79.09	26.59
Personal Services	1,195,869	0	2,413,581	2,413,581	0	2,424,806	2,424,806	101.83%
Operating Expenses	2,214,868	0	7,638,488	7,638,488	0	7,605,989	7,605,989	244.87%
Equipment	49,759	0	100,116	100,116	0	98,824	98,824	101.20%
Grants	783,099	0	1,069,004	1,069,004	0	1,069,004	1,069,004	36.51%
Total Costs	\$4,243,595	\$0	\$11,221,189	\$11,221,189	\$0	\$11,198,623	\$11,198,623	164.43%
<u>Fund Sources</u>								
General Fund	147,209	0	198,874	198,874	0	196,718	196,718	35.10%
State Revenue Fund	1,750,377	0	3,270,302	3,270,302	0	3,275,522	3,275,522	86.83%
Federal Revenue Fund	2,346,009	0	7,752,013	7,752,013	0	7,726,383	7,726,383	230.43%
Total Funds	\$4,243,595	\$0	\$11,221,189	\$11,221,189	\$0	\$11,198,623	\$11,198,623	164.43%

Program Description

The Solid and Hazardous Waste Bureau administers six environmental health laws designed to protect public health and the environment: 1) the Solid Waste Management Act, which provides for licensing, technical assistance, inspection, and enforcement for municipal, county, and private solid waste management systems throughout the state; 2) the Motor Vehicle Recycling and Disposal Act, which is a regulatory program that controls the disposal of junk motor vehicles and shielding of disposal sites; 3) the Montana Hazardous Waste Act, which is a regulatory program that controls generation, transport, storage, and disposal of hazardous wastes; 4) the Underground Storage Tank Act, which is modeled after federal law and provides for prevention of leaks in underground storage tanks; 5) the Superfund Act, which allows the department to investigate potentially hazardous disposal sites to determine if past disposal practices are resulting in threats to public health or the environment; and 6) the Comprehensive Environmental Clean-up and Responsibility Act (also known as the State Superfund Act) which allows the department to investigate and clean up all hazardous waste sites in Montana that are not on the federal Superfund National Priority List.

Legislative Intent

The appropriation for the Solid and Hazardous Waste Bureau includes 1.5 FTE and related expenses totaling \$70,354 in fiscal 1992 and \$69,552 in fiscal 1993 for review of out-of-state refuse dumping in Montana. The program was funded by the 1989 legislature to review out-of-state refuse dumping in Montana, but no expenditures were made due to the state's moratorium on importation. The legislature expressed its intent that this appropriation be used only if the moratorium is lifted or successfully challenged in court.

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Budget

This program is included in the Department of Natural Resources and Conservation in the Executive Budget and does not appear in the "Executive" column in the main table above.

FTE increase by 26.59 in fiscal 1992 and by an additional 0.5 in fiscal 1993 as a net result of: 1) transfer of a total of 0.5 FTE legal staff from the Junk Vehicle, Solid Waste, and Hazardous Waste Programs to the Legal Unit; 2) addition of 4.0 FTE in the Superfund Program and 2.75 FTE in the State Superfund Program originally added via operational plan change in the 1991 biennium; 3) continuation of 1.0 FTE added in fiscal 1991 in the Leaking Underground Storage Tank (LUST) Program by the 1989 legislature; and 4) addition of 19.34 FTE in fiscal 1992 and an additional 0.5 FTE in fiscal 1993 in the budget modifications discussed below.

Personal services increase over the fiscal 1990 level due to: 1) the additional staff, which adds \$709,404 in fiscal 1992 and \$721,096 in fiscal 1993; 2) vacancy savings experienced in fiscal 1990; 3) pay plan exceptions awarded to environmental specialists and engineers, which add approximately \$215,500 each year; and 4) continuation of the fiscal 1991 pay plan in the 1993 biennium. The increase is partially offset by implementation of a 4 percent personal services reduction.

Operating expenses increase for seven major reasons: 1) the Superfund program was increased \$4,574,678 each year to allow the department to respond if they are required to incur additional remedial or investigative costs; 2) indirect assessments are \$305,440 in fiscal 1992 and \$258,022 in fiscal 1993 over the actual fiscal 1990 level due to the additional staff, the pay plan exceptions, imposition of the additional rate to fund division administration, and vacancy savings experienced in fiscal 1990; 3) the Landfill Review Program includes \$29,452 in fiscal 1992 and \$29,461 in fiscal 1993 pending lifting of the state's moratorium on waste importation or its successful challenge in court (the program was funded by the 1989 legislature to review out-of-state refuse dumping in Montana, but no expenditures were made in the 1991 biennium due to the state's moratorium); 4) the LUST Program was increased \$275,000 each year for additional remedial action if needed; 5) the Hazardous Waste program was increased \$58,430 each year for additional contract services and travel; 6) \$40,000 was added to the State Superfund program to allow expenditure of all earmarked RIT interest (4 percent of the total collected) for remedial action as necessary; and 7) a \$30,000 per year contingency was added to the Junk Vehicle program should the price of steel fall, requiring the department to pay for disposal of vehicles.

Equipment is for miscellaneous office and field equipment in the Underground Storage Tank (UST), Hazardous Waste, Superfund, LUST, Landfill Review, and Superfund Core programs.

Grants are made in three areas: 1) junk vehicle grants totalling \$800,000 each year (compared to an actual fiscal 1990 expenditure of \$783,099) are made to counties to reimburse them for the cost of county vehicle graveyard upkeep; 2) UST grants totalling \$262,604 each year are made to local entities to defray their costs of UST activities; and 3) tank installer grants totalling \$6,400 each year are made to reimburse local officials for tank inspections. Grants increase 36.5 percent primarily because no UST grants were awarded in fiscal 1990 pending a legal review.

SOLID/HAZARDOUS WASTE

Budget Modifications

Modification Type	-----Executive-----		-----Legislature-----	
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) Hazardous Waste*	4.00	4.00		\$ 388,646
2) Landfill Management - I*	3.00	3.00		274,868
3) Landfill Management - II				595,442
4) Specialist Pay Exceptions			27,216	475,579
5) HB 660 - Landfill				190,016
6) BN/ARCO Special Projects*	5.00	5.00		621,246
Total	12.00	12.00	\$0	\$1,199,799
			19.34	19.84
			\$27,216	\$2,545,797

*Originally proposed in the Department of Natural Resources and Environment in the Executive Budget.

1) Hazardous Waste - A total of 4.0 FTE and \$195,934 in fiscal 1992 and \$192,712 in fiscal 1993 was added to make the Montana Hazardous Waste program conform to recent amendments to the federal Resource Conservation and Recovery Act. The modification is funded 75 percent (\$147,306 in fiscal 1992 and \$144,889 in fiscal 1993) from federal hazardous waste funds, with the 25 percent required state match of \$48,628 in fiscal 1992 and \$47,823 in fiscal 1993 funded with RIT interest.

2) Landfill Management - I - This budget modification adds 3.0 FTE to implement additional waste disposal regulations and to respond to requests for technical assistance resulting from changes in federal waste management laws. The total cost of \$138,367 in fiscal 1992 and \$136,501 in fiscal 1993 is funded with fees imposed on landfill operators. Collection and expenditure of these fees was authorized in Senate Bill 209.

3) Landfill Management - II - This modification adds 5.34 FTE in fiscal 1992 and an additional 0.5 FTE in fiscal 1993 upon recommendation of the Environmental Quality Council (EQC) to further expand the Solid Waste/Landfill program in response to changes in waste disposal regulations. The modification also includes \$60,000 in fiscal 1992 and \$30,000 in fiscal 1993 to develop a solid waste plan. Funding is derived from fees imposed on landfill operators authorized in Senate Bill 209.

4) Specialist Pay Exceptions - Funding for pay plan exceptions and related indirect assessments for environmental specialists is added at a total cost of \$239,188 in fiscal 1992 and \$236,391 in fiscal 1993. The funding sources are general fund of \$13,725 in fiscal 1992 and \$13,491 in fiscal 1993, state special revenue of \$125,490 in fiscal 1992 and \$124,583 in fiscal 1993, and federal revenue of \$99,973 in fiscal 1992 and \$98,317 in fiscal 1993.

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5) HB 660 - Landfill - 2.0 FTE and \$95,008 each year are added to implement the provisions of House Bill 660, which requires the regulation of additional solid waste generators. Funding is derived from fees imposed on landfill operators authorized in Senate Bill 209.

6) BN/ARCO Special Projects - 5.0 FTE are added to continue activities associated with Superfund clean-up at the Burlington Northern (BN) rail yard in Livingston and at the Atlantic Richfield (ARCO) national priority list clean-up sites in the Clark Fork River Basin. BN and ARCO would pay the entire cost through deposits to a state special revenue fund.

Funding

Each of the components of the Solid and Hazardous Waste Bureau and its related FTE and funding are shown in the following table.

Table 8
Solid and Hazardous Waste Bureau Funding
Fiscal 1990, 1993 Biennium

Program	--- FTE	Fiscal 1990 --- Expenditures	----- FTE	Fiscal 1992 ----- Appropriation	----- FTE	Fiscal 1993 ----- Appropriation	Match/Maintenance of Effort
Junk Vehicle	4.60		4.43		4.43	\$1,011,179	None
Superfund	8.50	\$ 913,436	12.50	\$1,013,892	12.50		
Federal Superfund		1,240,715		6,001,445		5,993,501	*
Hazardous Waste	10.82		14.66		14.66		
RIT		106,911		182,511		179,990	
Federal HW		320,749		553,141		545,566	25%/75%
UST	11.25		11.25		11.25		
Leak Prevention		185,095		556,372		554,111	
RIT		42,614		56,643		55,737	
Federal EPA		127,839		171,491		168,770	25%/75%
Solid Waste/Landfill	3.58		13.75		14.25		
General Fund		147,209		185,149		183,227	
Fees (State Special)				530,441		529,885	
State Superfund	1.50		4.25		4.25		
RIT		187,755		292,969		313,128	
LUST	4.50		5.50		5.50		

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RIT									
LUST Trust									
Landfill Rev.	1.50	470,998		78,805				78,463	
Fees (State Special)			1.50	711,768				708,680	10%/90%**
ARO/BN			5.00	70,354				69,552	
RIT		297,664							
State Special				312,348				308,898	
Superfund Core	5.50		5.50						
RIT		9,755		23,525				23,231	
Federal Superfund		185,355		214,195				211,549	10%/90%***
Tank Installers	0.25		0.25						
Permits State Special		7,147		26,952				26,765	
Specialist Pay Exceptions									
General Fund									
State Special				13,725				13,491	
Federal Special				125,490				124,583	
Adjustment		<u>353</u>		99,973				98,317	
Total	52.0	\$4,243,595	78.59	\$11,221,189			79.09	\$11,198,623	

* Depends upon the stage of work. State match is added as required.

** Required no match in the 1991 biennium.

***Required 5% match in 1991 biennium.

Junk vehicle funds are derived from junk vehicle fees, the sale of junk vehicles, and wrecking facility licenses. Leak prevention income is derived from tank licenses and permits, notification fees, and recovered damages and costs. The Solid/Waste Landfill fees will be imposed upon landfill operators, while landfill review fees will be imposed on importers. Tank installer income is generated through installer licenses and permits. LUST Trust funds are generated through a national tax on gasoline.

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Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	45.25	.00	63.25	63.25	.00	63.75	63.75	18.00
Personal Services	1,271,536	0	2,057,218	2,057,218	0	2,071,998	2,071,998	61.79%
Operating Expenses	948,682	0	3,195,608	3,195,608	0	3,140,379	3,140,379	236.85%
Equipment	20,072	0	48,439	48,439	0	45,946	45,946	141.33%
Grants	80,352	0	295,970	295,970	0	295,970	295,970	268.34%
Total Costs	\$2,320,642	\$0	\$5,597,235	\$5,597,235	\$0	\$5,554,293	\$5,554,293	141.19%
<u>Fund Sources</u>								
General Fund	126,655	0	221,595	221,595	0	215,222	215,222	74.96%
State Revenue Fund	462,938	0	1,335,370	1,335,370	0	1,326,637	1,326,637	188.46%
Federal Revenue Fund	1,731,049	0	4,040,270	4,040,270	0	4,012,434	4,012,434	133.40%
Total Funds	\$2,320,642	\$0	\$5,597,235	\$5,597,235	\$0	\$5,554,293	\$5,554,293	141.19%

Program Description

The Water Quality Bureau is responsible for the protection of public health and the environmental quality of Montana's water resources. The program administers the Montana Water Quality Act, Montana's laws regarding public water supply, the Sanitation in Subdivision Act, the Water/Wastewater Operator Certification law, and numerous rules promulgated to implement these laws. The bureau has seven activity units responsible for proper implementation of these statutes and rules: 1) Safe Drinking Water, which provides technical assistance and regulatory surveillance to ensure that water provided to the public meets minimum public health and engineering standards; 2) Water Quality Management, which monitors surface water to determine changes in quality or impacts from suspected pollution sources; 3) Nonpoint Source Pollution, which identifies streams and lakes whose quality is adversely impacted by nonpoint sources of pollution; 4) Water Pollution Control, which investigates alleged violations of Montana water quality laws and undertakes enforcement if appropriate; 5) Water Discharge Permits, which controls the quality of wastes discharged into state waters; 6) Groundwater, which investigates groundwater contamination problems and develops cleanup plans to protect groundwater resources; and 7) Municipal Wastewater Assistance, which provides technical and financial assistance to municipalities for design, construction, and operation of wastewater treatment systems.

Budget

This bureau is included in the Department of Natural Resources and Conservation in the Executive Budget and does not appear in the "Executive" column in the main table above.

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FTE increase by 18.0 in fiscal 1992 and an additional 0.50 FTE in fiscal 1993 as a net result of two actions: 1) 0.50 FTE added to provide wastewater operator training in conjunction with Northern Montana College was changed to contracted services; and 2) budget modifications detailed below add 18.5 FTE in fiscal 1992 and an additional 0.50 FTE in fiscal 1993.

Personal services increase due to: 1) the additional staff, which adds \$515,464 in fiscal 1992 and \$528,671 in fiscal 1993; 2) pay exceptions awarded to environmental engineers and specialists, which add approximately \$180,000 each year; 3) vacancy savings realized in fiscal 1990; and 4) continuation of the fiscal 1991 pay plan in the 1993 biennium. The increases are partially offset by a 4 percent personal services reduction.

Operating expenses increase primarily because: 1) indirects are \$240,809 in fiscal 1992 and \$200,251 in fiscal 1993 over the fiscal 1990 level due to the additional FTE, the pay exceptions, and the assessment of an additional rate to fund division administration; 2) the budget modifications listed below add \$2,012,870 in fiscal 1992 and \$1,996,120 in fiscal 1993; and 3) the Public Water Supply program was increased by \$127,589 each year for additional contract services. Partially offsetting these increases is the elimination of \$80,000 passed through to non-profit organizations for water use plans in the Water Quality Management program due to the loss of federal funding for that purpose.

Equipment includes miscellaneous field and office equipment in the Water Quality Management, Water Permits, Construction Grants, Public Water Supply, Groundwater Pollution Control, and Nonpoint Source Pollution programs.

Grants are shown in Table 9. Subdivisions grants are made to counties for review of subdivisions less than five acres in size. Construction grants are made to communities in advance of receipt of federal grants. In this program and in subdivisions, the appropriation was increased to ensure that sufficient authority existed to make the grants as necessary. Public water supply grants are made to local entities to collect samples and perform sanitary surveys and are increased to meet additional federal requirements.

Table 9
Water Quality Bureau Grants
Fiscal 1990, 1993 Biennium

	<u>Fiscal 1990</u>	<u>Fiscal 1992</u>	<u>Fiscal 1993</u>
Subdivisions			
Construction Grants	\$28,154	\$45,000	\$ 45,000
Public Water Supply	22,768	150,000	150,000
	<u>29,430</u>	<u>100,970</u>	<u>100,970</u>
Total	\$80,352	\$295,970	\$295,970

WATER QUALITY

Budget Modifications

Modification Type	Executive		Legislative	
	FTE FY92	General Fund FY93 92-93	FTE FY92	General Fund FY93 92-93
1) Ag Monitoring**				
2) SB 136 - Water Quality Dist			0.50	\$30,000
3) Groundwater Pollution Control*	2.00		2.00	37,043
4) Groundwater - EQC Lawyer		\$204,846	1.00	223,576
5) Groundwater - EQC Permit Rev			2.50	91,968
6) Wastewater Operators*** +	0.25		0.25	201,397
7) Subdivisions*** +	1.00	\$86,795	1.00	19,688
8) Public Water Supply* +	9.25		9.25	84,599
9) Nonpoint Source Pollution*	2.00	1,869,250	9.75	1,853,959
10) Specialist Pay Exceptions		2,828,121	2.00	2,845,459
Total	14.50	\$86,795	18.50	252,353
		\$5,009,580	19.00	\$5,640,042

* Originally proposed in the Department of Natural Resources and Environment in the Executive Budget.
 ** Requested as a continuation of a prior appropriation in the Executive Budget.
 ***Originally part of the Public Water Supply modification in the Executive Budget.
 + Included in revised Executive Budget (total request not shown in the Executive column in the main table above).

1) Ag Monitoring - Permit fees of \$15,000 were added each year to monitor groundwater pollution as a result of pesticide application. The department, which shares funds for this purpose with the Department of Agriculture, received a general fund appropriation of \$15,000 per year in the 1991 biennium, but made no expenditures.

2) SB 136 - Water Quality Districts - .50 FTE and RIT interest of \$18,539 in fiscal 1992 and \$18,504 in fiscal 1993 were added to implement Senate Bill 136, which provides for the establishment of local water quality districts and authorizes the department to approve and monitor implementation of local water quality programs.

3) Groundwater Pollution Control - Federal funds totaling \$112,373 in fiscal 1992 and \$111,203 in fiscal 1993 were added to implement new federally mandated groundwater quality protection programs, including wellhead protection, pesticides in groundwater, and nonpoint pollution control.

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- 4) Groundwater Pollution Control - EOC Lawyer - 1.0 FTE lawyer and related expenses were added upon recommendation of the Environmental Quality Council (EQC) to assist current legal staff with groundwater regulation enforcement. Approval of this modification is contingent upon the availability of federal funds for this purpose.
- 5) Groundwater Pollution Control - EOC Permit Review - This modification adds 2.0 FTE for groundwater permit review and spill response and an additional .50 FTE administrative staff, upon recommendation of the Environmental Quality Council. Funding of \$101,494 in fiscal 1992 and \$99,903 in fiscal 1993 is derived from RIT interest.
Budget modifications #6 - #8 were added to implement recommendations of the Public Water Supply Task Force.
- 6) Wastewater Operators - 0.25 FTE and related expenses totaling \$10,787 in fiscal 1992 and \$8,901 in fiscal 1993 of wastewater operator fee income were added to provide additional training to wastewater facility personnel.
- 7) Subdivisions - 1.0 FTE was added to the Subdivisions program to review subdivisions plans and to ensure that plans are followed. The total cost of \$44,386 in fiscal 1992 and \$40,213 in fiscal 1993 is funded with general fund. The department is authorized to collect no more per parcel than the actual subdivisions review costs. Income generated is deposited to the general fund to offset costs of the program.
- 8) Public Water Supply - This budget modification adds \$928,840 in fiscal 1992 and \$925,119 in fiscal 1993 to the Public Water Supply program to implement federally mandated program expansions. The appropriation includes over \$475,000 each year in contract services. Funding includes fees from public water supply sources of \$625,017 in fiscal 1992 and \$622,756 in fiscal 1993, and federal safe drinking water funds of \$303,823 in fiscal 1992 and \$302,363 in fiscal 1993. Collection and expenditure of the fees was authorized in Senate Bill 407.
- 9) Nonpoint Source Pollution - This modification adds federal nonpoint source pollution control funds to develop and implement a nonpoint source water pollution control program as required by 1987 amendments to the federal Clean Water Act. Included is 2.0 FTE and related operating expenses for program administration, with remaining funds of \$1,264,291 in fiscal 1992 and \$1,256,244 in fiscal 1993 passed through to non-profit organizations to implement on-the-ground nonpoint source controls.
- 10) Specialist Pay Exceptions - Funding for pay plan exceptions and related indirect assessments for environmental specialists is added totaling \$125,845 in fiscal 1992 and \$126,508 in fiscal 1993. The funding sources are general fund of \$7,647 in fiscal 1992 and \$7,516 in fiscal 1993, state special revenue of \$42,983 in fiscal 1992 and \$45,023 in fiscal 1993, and federal revenue of \$75,215 in fiscal 1992 and \$73,969 in fiscal 1993.

Funding

Funding and FTE levels of each component of the Water Quality Bureau are detailed in the following table.

WATER QUALITY

Table 10
Water Quality Bureau Funding
Fiscal 1990, 1993 Biennium

<u>Program</u>	<u>--- Fiscal 1990 ---</u> <u>FTE</u>	<u>Expenditures</u>	<u>--- Fiscal 1992 ---</u> <u>FTE</u>	<u>Appropriation</u>	<u>--- Fiscal 1993 ---</u> <u>FTE</u>	<u>Appropriation</u>	<u>Match/Maintenance of Effort</u>
Water Quality Mgmt							
RIT	4.85	\$73,670	5.35	\$124,459	5.35	\$121,832	
State Lands		15,269		20,263		19,963	
Federal 205(j)		194,514		99,383		99,350	None
Water Pollution Control							
RIT	8.30	83,182	8.30	83,267	8.30	83,242	
Federal 106		306,793		346,682		341,265	1980 Maintenance of Effort
Water Permits	3.50	175,516	3.50	192,220	3.50	189,570	Part of 106 Requirement
Federal 106							
Const. Grants	8.30	321,412	8.30	529,974	8.30	523,864	Part of 106 Requirement
Federal 205(g)							
Groundwater	2.00		7.50		7.50		
RIT		101,243		101,494		99,903	
Federal 106				274,313		271,137	Part of 106 Requirement
Wastewater	1.00		1.25		1.25		
Operator Fees		38,792		54,746		52,481	
Subdivisions	3.30		4.30		4.30		
General Fund		126,655		213,948		207,706	
Public Water Supply	9.50		18.75		19.25		
RIT		118,970		183,140		181,552	
Permit Fees				625,017		622,756	
Federal SDW				857,601		851,373	25%/75%
Revolving Fund	1.00	431,412	1.00		1.00		
Federal				98,034		97,411	17%/83%*
Training Fac	.50						
Federal 109(b)		19,838		20,882		20,932	None
Clark Fork	1.00		1.00		1.00		
RIT		102,315		105,264		104,848	
Nonpoint Source	2.00		4.00		4.00		
Federal 319(h)		56,666		1,525,703		1,523,600	None

WATER QUALITY

Ag Monitoring			
Permit Fees		15,000	15,000
Specialist Pay Exceptions			
General Fund		7,647	7,516
State Revenue		42,983	45,023
Federal Revenue		75,215	73,969
Golden Maple Mining			
Federal	5,405		
Gov. Clark Fork			
RIT	40,604		
Lake Pend Oreille			
Federal	69,166		
Special Project			
Federal 205(j)	39,220		
Total	45.25	\$2,320,642	63.25
		\$5,597,235	63.75
			\$5,554,293

*Will be met through other projects.

The Wastewater Operators program is funded through license fees paid by wastewater operators. The Subdivisions program is funded with general fund, with any income derived from fees assessed for subdivision review deposited to the general fund. In fiscal 1990, \$75,790 was deposited. Public water supply fees will be assessed against public water supply systems.

HEALTH SERVICES/MEDICAL FACILITY

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	15.52	13.02	13.52	.50	13.02	13.52	.50	-2.00
Personal Services	469,656	421,864	418,876	2,988-	421,713	418,699	3,014-	-10.81%
Operating Expenses	317,219	355,849	345,886	9,963-	357,453	339,032	18,421-	9.04%
Equipment	1,595	4,240	4,240	0	4,240	4,240	0	165.83%
Total Costs	\$788,470	\$781,953	\$769,002	\$12,951-	\$783,406	\$761,971	\$21,435-	-2.47%
<u>Fund Sources</u>								
General Fund	541,619	505,806	492,571	13,235-	505,857	485,406	20,451-	-9.06%
State Revenue Fund	39,079	45,111	45,753	642	45,274	45,455	181	17.08%
Federal Revenue Fund	207,772	231,036	230,678	358-	232,275	231,110	1,165-	11.02%
Total Funds	\$788,470	\$781,953	\$769,002	\$12,951-	\$783,406	\$761,971	\$21,435-	-2.47%

Division Description

The Health Services/Medical Facilities Division is responsible for improving and preserving the health and lives of Montana residents. This program consists of three functional units: 1) Division Administration, which is responsible for overall division operations, management of division resources, and assistance with formulation and development of department policy; 2) the Emergency Medical Services Bureau, which is responsible for planning and implementation of a statewide emergency medical services system and managing the Montana Poison Control System; and 3) the Health Planning Bureau, which produces the state health plans and planning research, administers the Certificate of Need Program, and collects, maintains, and distributes health facility data.

Budget

FTE are reduced by 2.0 due to reductions in the Health Planning Bureau from 4.75 FTE to 2.75 FTE each year. Personal services decrease 10.8 percent due to this reduction and the implementation of a 4 percent personal services reduction, which are partially offset by vacancy savings achieved in fiscal 1990 and continuation of the fiscal 1991 pay plan in the 1993 biennium.

Operating expenses rise due to the net effect of: 1) reduction of the Health Planning Bureau of \$5,213 in fiscal 1992 and \$5,238 in fiscal 1993; and 2) an increase of \$24,266 each year in the Emergency Medical Services Bureau for increased travel, emergency medical technician (EMT) training, and miscellaneous costs. Indirect assessments are \$5,602 less in fiscal 1993 than in fiscal 1990 due to the reduction in FTE.

HEALTH SERVICES/MEDICAL FACILITY

Equipment consists of miscellaneous field equipment in the Emergency Medical Services Bureau.

Funding

Table 11 shows the three components of this program and their related funding and FTE.

Table 11
Health Services Division Funding
Fiscal 1990, 1993 Biennium

	--- FTE	Fiscal 1990 Expenditures	--- FTE	Fiscal 1992 Appropriation	--- FTE	Fiscal 1993 Appropriation
Division Administration	2.50		2.50		2.50	
General Fund		\$76,100		\$67,329		\$65,323
MCH Block*		28,340		30,078		30,038
Preventive Health		12,633		13,469		13,439
Emergency Medical Services	8.27		8.27		8.27	
General Fund		300,347		317,496		313,822
Certification Fees		39,079		45,753		45,455
Preventive Health Block		166,799		187,131		187,633
Health Planning	4.75		2.75		2.75	
General Fund		<u>165,172</u>		<u>107,746</u>		<u>106,261</u>
Total	15.52	\$788,470	13.52	\$769,002	13.52	\$761,971

*Total grant must be matched on a ratio of 3/7 state funds to 4/7 grant funds.						

EMT certification state special revenue, which is derived from certification fees and the sale of supplies and materials, supports a portion of EMT functions such as training, examination, and certification.

FAMILY/MCH BUREAU

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	26.50	26.50	26.50	.00	26.50	26.50	.00	.00
Personal Services	684,813	760,389	722,196	38,193-	759,461	721,320	38,141-	5.46%
Operating Expenses	1,264,538	1,431,778	1,558,474	126,696	1,436,234	1,540,103	103,869	23.24%
Equipment	0	204,010	204,010	0	0	0	0	.00%
Grants	6,338,478	8,416,144	8,482,918	66,774	9,424,144	9,490,918	66,774	33.83%
Benefits and Claims	5,443,705	6,507,249	7,144,657	637,408	6,504,618	7,142,026	637,408	31.25%
Total Costs	\$13,731,534	\$17,319,570	\$18,112,255	\$792,685	\$18,124,457	\$18,894,367	\$769,910	31.90%
Fund Sources								
General Fund	106,704	100,667	273,453	172,786	100,667	270,880	170,213	156.27%
Federal Revenue Fund	13,624,830	17,218,903	17,838,802	619,899	18,023,790	18,623,487	599,697	30.93%
Total Funds	\$13,731,534	\$17,319,570	\$18,112,255	\$792,685	\$18,124,457	\$18,894,367	\$769,910	31.90%

Program Description

The Family/Maternal and Child Health Bureau consists of the following programs: 1) Nutritional Services, which provides nutritional foods, education, and assessment to low income pregnant women, infants, and children through the Women, Infants, and Children (WIC) Program, and nutritional meals to children enrolled in participating child care facilities through the Child Nutrition Program; 2) Family Planning, which provides quality comprehensive family planning services to women ages 15-44 who are at risk of unwanted pregnancy; 3) Handicapped Children, which identifies children, age birth to 18, with special health care needs and provides for medical evaluation, treatment, and management of certain specified handicapping conditions; and 4) Perinatal Services, which includes the Montana Initiative for Abatement of Mortality in Infants (MIAMI) Program and improves pregnancy outcome by offering community and hospital-based services to women prior to conception, throughout their pregnancy, and for their infants during the first year of life. This bureau also administers the Maternal and Child Health Block Grant and newborn metabolic screening.

Budget

FTE show no change. However, this is due to the net effect of: 1) transfer of 2.0 FTE from the Preventive Health Bureau to consolidate all Perinatal program functions in this bureau; and 2) deletion of 2.0 FTE for Children with Special Health Care Needs and Maternal and Child Health (MCH) Staff Development originally added in budget modifications by the 1989 legislature.

FAMILY/MCH BUREAU

Personal services increase due to the FTE transfer and deletions, which adds a net \$15,071 in fiscal 1992 and \$14,952 in fiscal 1993; vacancy savings realized in fiscal 1990; and continuation of the fiscal 1991 pay plan in the 1993 biennium. Partially offsetting these increases are the downgrade of the bureau chief position from a grade 23 medical doctor to a grade 18 administrator and the implementation of a 4 percent personal services reduction.

Operating expenses increase due to: 1) transfer of all Perinatal Program operating expenses from the Preventive Health Bureau, which adds \$120,000 each year; 2) an increase in the Montana Initiative for the Abatement of Mortality in Infants (MIAMI) program of \$171,468 in fiscal 1992 and \$169,608 in fiscal 1993 (Budget Modification #3); 3) an increase in indirect assessments of \$32,670 in fiscal 1992 and \$17,480 in fiscal 1993; and 4) additional contracts in bureau administration of \$26,500 each year. These increases are partially offset by elimination of the Children with Special Health Care Needs and MCH Staff Development modifications of \$40,943 per year.

Equipment consists of computer equipment to automate local Women, Infants, and Children (WIC) offices.

Non-operating expenses are detailed in the following table.

Table 12
Family/MCH Bureau Grants
Fiscal 1990, 1993 Biennium

	<u>Fiscal 1990</u>	<u>Fiscal 1992</u>	<u>Fiscal 1993</u>
Child Nutrition	\$3,610,683	\$5,700,687	\$6,708,687
Women, Infants and Children*	6,617,005	8,306,119	8,303,488
Family Planning	882,730	931,679	931,679
MCH Block Grants to Counties	<u>671,765</u>	<u>689,090</u>	<u>689,090</u>
Total Grants	\$11,782,183	\$15,627,575	\$16,632,944

*Includes benefits.			

Child nutrition grants are reimbursements from the federal government to qualified daycare providers for the costs of meals served. WIC grants are made to local organizations to administer the program, while benefits are paid to food providers for the cost of WIC foods purchased. Family planning grants are made to local agencies for family planning activities. MCH block grants to counties are made for services to women and children at risk.

FAMILY/MCH BUREAU

Budget Modifications

Modification Type	Executive		Legislative	
	FTE FY92	General Fund FY93	FTE FY92	General Fund FY93
1) Child Nutrition				
2) Women, Infants, Children+				
3) MIAMI Program				
Total	0.0	\$0	0.0	\$341,076
+Included in revised Executive Budget (total request not shown in the Executive column in the main table above).				

\$4,276,000
2,244,972
341,076

Total

\$4,276,000
2,244,972
341,076

\$0

0.0

0.0

\$6,520,972

\$341,076

\$6,862,048

1) Child Nutrition Grants - An additional \$1,634,000 in fiscal 1992 and \$2,642,000 in fiscal 1993 of federal funds is added to provide grants to local food programs for additional food costs associated with increased numbers of children receiving meals under the Child Nutrition program.

2) Women, Infants, and Children (WIC) Program - Federal USDA funds of \$1,122,486 each year were added for anticipated increased costs of providing food through the WIC program due to more program participants and increased food costs, and to maximize state usage of total anticipated funds.

3) MIAMI Program - The MIAMI program, which is designed to ensure that mothers and children receive quality maternal and child health services, was increased by \$171,468 in fiscal 1992 and \$169,608 in fiscal 1993 in contract services. The program is funded with general fund, which would be used by program contractees to match federal funds.

Funding

The following table shows each of the components of the Family/MCH Bureau and its related FTE and funding.

FAMILY/MCH BUREAU

Table 13
Family/MCH Bureau Funding

	--- FTE	Fiscal 1990 Expenditures	--- FTE	Fiscal 1992 Appropriation	--- FTE	Fiscal 1993 Appropriation
Bureau Administration	3.00		3.00		3.00	
MCH Block*		\$184,977		\$221,097		\$219,079
Child Nutrition	3.50		3.50		3.50	
Federal Child Nutrition		3,757,442		5,866,890		6,872,766
Women, Infant, Children	9.00		9.00		9.00	
Federal WIC		7,047,956		8,937,669		8,723,811
Family Planning	4.00		4.00		4.00	
General Fund		48,652		49,776		49,776
MCH Block*		202,016		204,083		204,082
Preventive Health Block		29,000		28,871		28,871
Federal Title X		819,433		871,488		868,926
Handicapped Children	4.00		4.00		4.00	
MCH Block*		835,080		839,828		837,737
Grants to Counties						
MCH Block*		671,765		689,090		689,090
Perinatal	1.00		3.00		3.00	
General Fund		58,052		223,677		221,104
MCH Block*				179,786		179,125
MCH Staff Development	1.50					
Federal Funds		37,938				
Children with Special Needs	.50					
Federal Funds		39,223				
Total	26.50	\$13,731,534	26.50	\$18,112,255	26.50	\$18,894,367

*Total grant must be matched on a ratio of 3/7 state funds to 4/7 grant funds.

General fund in the Family Planning program supports grants to local family planning organizations.

PREVENTIVE HEALTH BUREAU

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	21.50	21.50	21.50	.00	21.50	21.50	.00	.00
Personal Services	567,449	616,398	592,346	24,052-	615,759	591,797	23,962-	4.39%
Operating Expenses	917,795	996,344	1,070,316	73,972	1,005,695	1,063,618	57,923	16.62%
Equipment	1,575	0	0	0	0	0	0	-100.00%
Grants	11,968	11,968	11,968	0	11,968	11,968	0	.00%
Total Costs	\$1,498,787	\$1,624,710	\$1,674,630	\$49,920	\$1,633,422	\$1,667,383	\$33,961	11.73%
Fund Sources								
General Fund	215,606	297,412	217,576	79,836-	297,552	216,795	80,757-	.91%
State Revenue Fund	34,105	60,020	60,020	0	65,874	65,874	0	75.99%
Federal Revenue Fund	1,249,076	1,267,278	1,397,034	129,756	1,269,996	1,384,714	114,718	11.85%
Total Funds	\$1,498,787	\$1,624,710	\$1,674,630	\$49,920	\$1,633,422	\$1,667,383	\$33,961	11.73%

Program Description

The Preventive Health Services Bureau, which detects and monitors a variety of health problems and risk factors in Montana, is comprised of the following programs: 1) Bureau Administration; 2) Chronic Disease Prevention and Health Promotion, which lowers the risk of chronic disease morbidity, mortality, and disability through data collection, education, and training; 3) Communicable Diseases, which provides surveillance and outbreak control of reportable infectious diseases and includes the AIDS and Sexually Transmitted Diseases (STD) programs; 4) Immunization, which prevents the occurrence and transmission of vaccine-preventable diseases such as measles, mumps, and rubella; 5) Sexual Assault Services, which supports rape crisis intervention programs; 6) End Stage Renal Disease, which provides medical payments to persons suffering from chronic end stage kidney disease; and 7) Rabies, which provides consultation and vaccine to persons exposed to rabies.

Budget

FTE show no change as a net result of: 1) transfer of 2.0 FTE to the Family/MCH Bureau to consolidate all Perinatal program functions; and 2) the addition of 2.0 FTE in Budget Modifications #1 and #2 discussed below.

Personal services increase due to vacancy savings experienced in fiscal 1990 and continuation of the fiscal 1991 pay plan in the 1993 biennium. These increases are partially offset by the downgrade of the bureau chief from a grade 23 medical doctor to a grade 18 administrator and implementation of a 4 percent personal services reduction.

Grants are made to local organizations to maintain rape crisis hotlines, which are required in order to receive federal preventive health block grant funds.

Budget Modifications

Modification Type	-----Executive-----			-----Legislative-----				
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) Chronic Disease Prevention	0.50	0.50		\$ 81,000	0.50	0.50		\$ 79,904
2) Sexually Transmitted Diseases+	1.50	1.50		162,924	1.50	1.50		158,212
3) Vaccine								205,314
4) AIDS Education to Counties								40,000
5) AIDS+				<u>66,334</u>				<u>66,334</u>
Total	2.00	2.00		\$310,258	2.00	2.00		\$549,764

+Included in the revised Executive Budget (total request not shown in the Executive column in the main table above).

1) Chronic Disease Prevention - 0.50 FTE, related operating expenses, and grants to counties for pilot programs were added to the Chronic Disease program. The additional federal funds would allow continued development of an information system to determine risk factors related to the leading causes of morbidity and mortality in Montana.

2) Sexually Transmitted Diseases (STD) - This modification adds 1.5 FTE and \$79,556 in fiscal 1992 and \$78,656 in fiscal 1993 of federal funds for increased information and education about STD's, improved comprehensive STD surveillance, and provision of a syphilis screening plan for high risk populations.

PREVENTIVE HEALTH BUREAU

- 3) Vaccine - Maternal and child health block grant funds of \$103,540 in fiscal 1992 and \$101,774 in fiscal 1993 were added to provide additional vaccine against measles, mumps, and rubella.
- 4) AIDS Education to Counties - Preventive health block grant funds of \$20,000 each year were added to provide additional AIDS education in counties.
- 5) AIDS - This modification adds \$33,583 in fiscal 1992 and \$32,751 in fiscal 1993 to maximize federal funds availability. This program is responsible for detecting and preventing the further spread of HIV infection.

Funding

Table 14 details each of the components of the Preventive Health Bureau.

PREVENTIVE HEALTH BUREAU

Table 14
Preventive Health Bureau Funding
Fiscal 1990, 1993 Biennium

	--- Fiscal 1990 --- FTE Expenditures	--- Fiscal 1992 --- FTE Appropriation	--- Fiscal 1993 --- FTE Appropriation
Bureau Administration	4.00	2.00	2.00
Preventive Health Block	\$69,667	\$84,084	\$81,228
Maternal/Child Health Block*	218,892	5,187	6,967
Health Ed/Risk Reduction	2.50	3.00	3.00
Behavioral Risk Reduction	14,323	47,635	47,842
Preventive Health Block	42,632	140,821	139,049
Federal Chronic Disease	86,842	8.00	8.00
AIDS	564,453	667,356	662,298
Federal AIDS	1.00	20,000	20,000
Preventive Health Block Grant	49,317	52,323	51,549
Communicable Diseases	1.00	2.50	2.50
General Fund	48,556	127,970	126,704
Sexually Transmitted Diseases	5.00	5.00	5.00
Federal STD***	41,289	40,253	40,246
Immunization	178,755	188,473	186,884
General Fund	11,968	11,968	11,968
Immunization**	125,000	125,000	125,000
WCH Block Grant	34,105	60,020	65,874
Rape Crisis	12,988		
Preventive Health Block	21.50	21.50	21.50
Renal Program	\$1,498,787	\$1,674,630	\$1,667,383
General Fund			
Rabies			
Rabies Vaccine			
Discretionary Carryover			
Federal Funds			
Total			

* Total grant must be matched on a ratio of 3/7 state funds to 4/7 grant funds.

** General fund is the required maintenance of effort.

***Part of the immunization maintenance of effort requirement.

General fund in the Immunization program provides the maintenance of effort required for receipt of both the federal immunization and STD grants. Behavioral risk reduction funds have been merged with federal chronic disease funds in the 1993 biennium.

LICENSING AND CERTIFICATION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	32.55	47.55	47.55	.00	47.55	47.55	.00	15.00
Personal Services	735,421	1,417,416	1,422,522	5,106	1,415,506	1,420,547	5,041	93.43%
Operating Expenses	289,070	772,673	874,518	101,845	737,247	803,693	66,446	202.53%
Equipment	13,311	53,500	52,849	651-	44,500	43,849	651-	297.03%
Total Costs	\$1,037,802	\$2,243,589	\$2,349,889	\$106,300	\$2,197,253	\$2,268,089	\$70,836	126.43%
<u>Fund Sources</u>								
General Fund	335,362	508,276	508,716	440	553,675	543,890	9,785-	51.69%
Federal Revenue Fund	702,440	1,735,313	1,841,173	105,860	1,643,578	1,724,199	80,621	162.11%
Total Funds	\$1,037,802	\$2,243,589	\$2,349,889	\$106,300	\$2,197,253	\$2,268,089	\$70,836	126.43%

Program Description

The Licensing, Certification, and Construction Bureau issues licenses, grants medicaid certification, recommends medicare certification, approves new and renovation construction projects for all health care providers, and enforces state and federal laws governing health care facilities.

Language

"None of the appropriation for the Licensing, Certification, and Construction Bureau may be transferred to any other program in the Department of Health and Environmental Sciences."

Legislative Intent

Funding for the current level expenses of the Licensing, Certification, and Construction Bureau is based upon the assumption that one-third time will be spent on licensure, one-third on medicaid certification, and one-third on recommendation for medicare certification. It is the legislature's intent that this allocation be reexamined in the next budget cycle to determine if it remains both applicable and necessary.

The department may not reduce its state licensing and medicaid certification effort should the general fund appropriation for these purposes not be sufficient.

LICENSING AND CERTIFICATION

Budget

FTE increase by 15.0 due to the addition discussed in Budget Modification #1 to meet federal regulations. Personal services increase due to: 1) the additional FTE, which add \$464,000 each year, 2) the funding of pay plan exceptions for facility surveyors approved by the Department of Administration in fiscal 1991, which adds approximately \$121,000 each year; 3) vacancy savings (approximately 15 percent) realized in fiscal 1990; and 4) continuation of the fiscal 1991 pay plan in the 1993 biennium. Partially offsetting these increases is the implementation of a 4 percent personal services reduction.

Operating expenses increase due to: 1) increased travel of \$60,957 per year based upon the assumption that surveyor positions would be fully staffed and the function fully operational; 2) increased indirect assessments of \$143,652 in fiscal 1992 and \$112,810 in fiscal 1993 over the fiscal 1990 level due to the additional FTE; 3) the budget modifications discussed below, which add \$393,264 in fiscal 1992 and \$352,764 in fiscal 1993; and 4) a reduction in supplies of \$22,458 to return the bureau to the fiscal 1990 appropriated level.

Equipment is various computer and office equipment for new and continuing staff.

Budget Modifications

<u>Modification Type</u>	<u>Executive</u>			<u>Legislative</u>		
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93
1) Federal Nursing Home Reform	15.00	15.00	\$118,431	\$1,706,477	15.00	15.00
2) Fed Nursing Home Ref - Hearings						
Total	15.00	15.00	\$118,431	\$1,706,477	15.00	15.00
					\$111,782	\$1,638,463
					23,975	274,004
					\$135,757	\$1,912,467

1) Federal Nursing Home Reform - This modification adds 15.0 FTE and related operating expenses to continue implementation of new programs and expanded certification requirements contained in the federal Omnibus Budget and Reconciliation Act (OBRA) of 1987. These positions were originally added via budget amendment in fiscal 1991. Funding is from three sources: 1) federal medicare funds totaling \$577,784 in fiscal 1992 and \$534,791 in fiscal 1993; 2) federal medicaid funds totaling \$224,281 in fiscal 1992 and \$189,825 in fiscal 1993; and 3) general fund of \$47,681 in fiscal 1992 and \$64,101 in fiscal 1993, which provides the required match on medicaid funds. The difference in general fund between years is due to a change in the required match rate.

LICENSING AND CERTIFICATION

2) Federal Nursing Home Reform - Hearings - Federal regulations require the department to conduct residents' rights violation hearings. An additional \$137,002 each year was added to allow the department to contract for assistance in conducting the hearings. The funding sources are federal medicare and medicaid funds of \$126,727 in fiscal 1992 and \$123,302 in fiscal 1993 and general fund of \$10,275 in fiscal 1992 and \$13,700 in fiscal 1993, which provides the required match on medicaid funds.

Funding

There is a significant general fund increase over the fiscal 1990 levels in this program primarily because: 1) all authorized positions are fully funded (despite significant vacancy savings in fiscal 1990 and continuing ongoing vacancies) since certification is necessary before facilities can receive medicare or medicaid funds and is required under federal rules to be completed in a timely manner; and 2) state funds are budgeted based on federal requirements.

Each of the three functions of the bureau--state licensure, medicaid certification, and recommendation of medicare certification--has a unique funding source. Licensing is completely funded with general fund. Medicaid certification is funded with federal Title 19 funds and a general fund match. Recommendation for medicare certification is completely funded with federal Title 18 funds. The final amount of funding from each source depends upon the time actually spent by staff on each function during the year. Therefore, the "mix" of funding can and does change. In fiscal 1990, general fund comprised 32 percent of total current level expenditures. However, the federal government strongly recommends that states budget as though time spent on each function will be evenly split or risk the loss of federal funds.

The federal Omnibus Budget and Reconciliation Act (OBRA) of 1987 and subsequent additions expanded the federal requirements for facility certification. Additional funds were made available to fund these activities, on a split of one-half medicaid certification and one-half recommendation of medicare certification. All expenses associated with additions by both the 1989 and 1991 legislatures in response to these expanded requirements are funded on the assumption of one-half medicaid certification and one-half medicare recommendation of certification. However, all expenses not associated with expanded federal OBRA-related regulations and requirements are funded on the assumption of one-third state licensure, one-third medicaid certification, and one-third recommendation of medicare certification. If staff spends more time in federally supported activities, the excess general fund would revert. Consequently, the legislature has specified that no funds may be transferred from this bureau to any other program within the department. Table 15 details the bureau's funding.

LICENSING AND CERTIFICATION

Table 15
Licensing and Certification Funding
Fiscal 1990, 1993 Biennium

	<u>Fiscal 1990</u>	<u>Fiscal 1992</u>	<u>Fiscal 1993</u>
Medicaid Matching Rate*	**	0.1375	0.1875
General Fund	\$335,362	\$508,716	\$543,890
Title 19 Medicaid	278,215	707,337	640,624
Title 18 Medicare	<u>424,225</u>	<u>1,133,836</u>	<u>1,083,575</u>
Total	\$1,037,802	\$2,349,889	\$2,268,089

* Match in fiscal 1994 will be 23.75 percent, and in fiscal 1995 and beyond 25%.

**Match in fiscal 1990 was 25% for personal services, travel, and training;
50% for all other costs.

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Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	644.09	638.50	639.00	.50	638.50	639.00	.50	-5.09
Personal Services	15,925,172	17,512,545	16,839,489	673,056-	17,493,344	16,822,255	671,089-	5.74%
Operating Expenses	7,520,099	8,058,879	8,341,463	282,584	7,988,909	8,123,343	134,434	10.92%
Equipment	442,677	345,321	332,546	12,775-	299,909	267,066	32,843-	-24.88%
Grants	9,312,213	14,537,705	15,804,704	1,266,999	14,824,318	16,555,799	1,731,481	69.72%
Benefits and Claims	579,135	423,224	423,224	0	394,028	394,028	0	-26.92%
Transfers	0	0	126,517	126,517	0	124,485	124,485	.00%
Total Costs	\$33,779,296	\$40,877,674	\$41,867,943	\$990,269	\$41,000,508	\$42,286,976	\$1,286,468	23.95%
Fund Sources								
General Fund	767,188	699,733	762,128	62,395	671,118	730,552	59,434	-6.66%
State Revenue Fund	2,748,874	3,238,570	2,818,842	419,728-	3,233,731	2,772,985	460,746-	2.55%
Federal Revenue Fund	27,848,065	33,956,106	34,987,285	1,031,179	34,146,990	35,597,246	1,450,256	25.64%
Proprietary Fund	2,415,169	2,983,265	3,299,688	316,423	2,948,669	3,186,193	237,524	36.62%
Total Funds	\$33,779,296	\$40,877,674	\$41,867,943	\$990,269	\$41,000,508	\$42,286,976	\$1,286,468	23.95%

Agency Description

The Department of Labor and Industry, provided for in Section 2-15-1701, MCA, serves as an employment agency, collects and disburses state unemployment funds, provides training, and oversees federal Job Training Partnership Act (JTPA) grants. The department also enforces state wage and hour laws, provides for apprenticeships, hears classification and unemployment insurance disputes, enforces state and federal anti-discrimination in employment laws, and performs workers' compensation regulatory duties.

Language

"All unappropriated revenue to and fund balance in the Unemployment Insurance Administrative Tax account is appropriated to a reserve fund for job service administrative costs, except amounts, up to \$100,000 per fiscal year, necessary to comply with federal requirements that a cost allocation plan for non-unemployment insurance tax collections be established. The amount of unappropriated funds for deposit into the reserve shall be determined after all other Unemployment Insurance Administrative Tax appropriations are funded. The job service reserve fund shall be maintained within the Unemployment Insurance Administrative Tax account. Interest earned on the job service reserve shall be deposited into the job service reserve fund. Sufficient funds from the job service reserve are appropriated to the department to fund the job service federal fund appropriation in fiscal 1992 and 1993, contingent upon receipt

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of federal funds for the support of job service functions that are less than the level received in fiscal 1991. Funds in the job service reserve shall not be transferred to the Unemployment Insurance Trust fund until January 30, 1993, except in the case that an amount is necessary to reduce the employer contribution schedule for the coming year. Any transfer prior to January 30, 1993, must be reviewed by the legislative finance committee."

"The department, in concert with other interested parties, shall prepare formal guidelines for use of the Unemployment Insurance Administrative Tax funds and present these guidelines to the 53rd Legislature. At a minimum, the guidelines shall include a prioritization of programs and activities to be funded. The criteria for prioritization shall include the following considerations: 1) loss of federal funding, impact on rural communities, and employer/employee related functions; and 2) the establishment and maintenance of a reserve fund to ensure employment security services continue in the event of federal fund reductions."

Budget

The legislature implemented a 4 percent vacancy savings reduction for this agency in the 1993 biennium, except for: 1) Human Rights Commission, which is subject to a 2 percent vacancy savings rate; and 2) Workers Compensation Court, to which no vacancy savings was applied in the 1993 biennium.

The pay plan increase for the 1993 biennium (House Bill 509) is not included in either the table above or the program tables. A description of the pay plan increase and a table showing allocations to each agency is contained in Volume 1 of this report in the "Pay Plan" section.

FTE decrease by 5.09 from fiscal 1990 to fiscal 1992 and fiscal 1993 as a net result of: 1) 11.0 FTE added through budget modifications; 2) 1.5 FTE added through reorganization and legislative action; 3) a decrease of 7.0 FTE due to privatization of the administrative entity for the JTPA private industry councils; 4) a decrease of 5.59 FTE due to program elimination; 5) elimination of 3.0 FTE due to extended vacancy; and 6) elimination of 2.0 FTE due to passage of House Bill 837, which eliminates the workers' compensation rehabilitation panels.

Personal services increase 5.7 percent primarily because of the additional FTE, vacancy savings in fiscal 1990, and continuation of the 1991 pay plan in the 1993 biennium. This increase is partially offset by vacancy savings for the 1993 biennium, which reduces personal services by \$684,950 in fiscal 1992 and \$684,264 in fiscal 1993.

Operating expenses increase by 10.9 percent due to: 1) restructuring of the Division of Workers' Compensation, which resulted in increased rent, data processing, indirect charges and other costs; and 2) the addition of \$397,185 in budget modifications. These increases are partially offset by a reduction of \$17,394 due to implementation of House Bill 837, which eliminates the workers' compensation rehabilitation panels.

Grants increase 69.7 percent as a result of: 1) budget modifications, which add \$1,964,194 in fiscal 1992 and \$2,497,034 in fiscal 1993; 2) the transfer of supportive service payments for Job Training Partnership Act (JTPA) participants from benefits and claims

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to the grants category; and 3) a technical adjustment to account for JTPA pass-through funds to the private administrative entity that disburses the funds.

Benefits and claims decrease by 26.9 percent due to: 1) a decrease in silicosis and social security offset benefits; and 2) transfer of supportive service payments to the grants category.

Transfers consist of funds for the Jobs for Montana's Graduates (JMG) program. These funds must be distributed to the Office of Public Instruction for administration of JMG.

Unemployment Insurance Administrative Tax (UI Admin Tax)

UI Admin Tax is an employer tax established by the 1983 legislature to ensure the continued operation of rural job service offices should federal funds not be sufficient. The tax is set at 0.1 percent of all taxable wages of an employer with a UI experience rating, and 0.05 percent of total wages of an employer not covered by an experience rating. Revenue from the tax was not utilized until fiscal 1989 when \$350,000 was expended. Use of UI Admin Tax revenue was expanded by the legislature in the 1991 biennium to support administration and job training programs.

Table 1 shows actual UI Admin Tax revenue and expenditures in fiscal 1990 and fiscal 1991 and appropriations and anticipated revenue in the 1993 biennium.

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Table 1
UI Admin Tax

	Fiscal 1990	Fiscal 1991	Fiscal 1992	Fiscal 1993
<u>REVENUE</u>				
Beginning Balance	\$4,567,273	\$5,585,547	\$6,290,090	\$ 953,893
Revenues	<u>2,895,503</u>	<u>3,242,017</u>	<u>3,376,707</u>	<u>3,391,754</u>
Total Available	<u>\$7,462,776</u>	<u>\$8,827,564</u>	<u>\$9,666,797</u>	<u>\$4,345,647</u>
<u>APPROPRIATIONS</u>				
DOLI Admin/Programs	\$1,877,229	\$2,537,474	\$2,619,248	\$2,613,406
JTPA Funding			<u>1,267,759</u>	<u>1,732,241</u>
Total Approp.	<u>\$5,585,547</u>	<u>\$2,537,474</u>	<u>\$3,887,007</u>	<u>\$4,345,647</u>
Job Service Reserve Fund			\$4,825,897	
Ending Fund Balance	\$5,585,547	\$6,290,090	\$ 953,893	-0-

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Budget Modifications

Modification Type	Executive			Legislature				
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) Federal EDWAA/TAA	6.0	6.0		\$ 507,389	6.0	6.0		\$ 495,403
2) UI Accounts Receivable	3.0	3.0		234,297	3.0	3.0		228,520
3) Case Backlog					1.0	1.0	\$81,589	81,589
4) EDWAA/TAA				1,261,228				1,261,228
5) Project Work Program Contracts				720,000				572,290
6) JTPA Funding					1.0	1.0		3,000,000
7) HB 187 Implementation								82,923
8) Jobs for Montana's Graduates*	1.0	1.0		251,002				251,002
Total	10.0	10.0	\$0	\$2,973,916	11.0	11.0	\$ 81,589	\$5,972,955

*Included in the revised Executive Budget (not shown in Executive column in main table).

Budget modifications are discussed further in the program narratives that follow.

Funding

General fund decreases by 0.7 percent as a result of: 1) a decrease in silicosis and social security offset benefit payments; and 2) the 2 percent vacancy savings rate applied to personal services in the Human Rights Commission. These decreases are partially offset by the Human Rights Commission Case Backlog budget modification.

State special revenue increases by 2.6 percent due primarily to an increased level of workers' compensation regulatory activity since reorganization. This increase is partially offset by: 1) a reclassification of funds for administration of uninsured and subsequent injury benefits to proprietary funds; 2) the vacancy savings applied to all agency programs in the 1993 biennium except Workers Compensation Court; and 3) the net decrease in workers compensation funded needed to implement House Bills 187 and 837.

Federal revenue increases 25.6 percent due to increased use of the Unemployment Insurance Administrative Tax funds, and the technical adjustment to account for JTPA pass-through funds, which is partially offset by vacancy savings implemented for the 1993 biennium.

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Proprietary funds increase primarily because of an increase in agency indirect costs and the reclassification of benefit payments for uninsured employer and subsequent injuries from state special to proprietary funds. This increase is partially offset by mandated vacancy savings in the 1993 biennium.

Other Legislation

The following table shows other legislation which appropriates funds to the department for the 1993 biennium.

<u>Bill No./Description</u>	<u>-----Fiscal 1992-----</u>		<u>-----Fiscal 1993-----</u>	
	<u>FTE</u>	<u>General Fund</u>	<u>FTE</u>	<u>General Fund</u>
HB 5 - Capital Projects*		<u>Total Funds</u>		<u>Total Funds</u>
HB 704 - Apprenticeship Instruction	—	\$519,450	—	110,000
Totals	—	<u>110,000</u>	—	<u>110,000</u>
* Biennial appropriation	0.0	\$0	0.00	\$0
		\$629,450		\$110,000

HB 5 - Capital Projects - This bill appropriates \$310,000 over the biennium to renovate and expand the Great Falls Job Service, and \$209,450 over the biennium to complete various major maintenance projects on other local job service offices. Funding for these projects comes from federal labor and industry funds.

HB 704 - Apprenticeship Instruction - Unemployment Insurance penalty and interest funds are appropriated to the department to fund apprenticeship instruction programs. These programs are no longer eligible for Carl Perkins funds, which supported them previously.

JOB SERVICE DIVISION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Charge 1990-92
FTE	315.60	320.85	320.85	.00	320.85	320.85	.00	5.25
Personal Services	7,759,153	8,731,136	8,381,891	349,245-	8,721,483	8,372,624	348,859-	8.03%
Operating Expenses	3,142,662	3,135,781	3,258,983	123,202	3,097,622	3,217,704	120,082	3.70%
Equipment	88,172	81,759	81,759	0	82,419	82,419	0	-7.27%
Transfers	0	0	126,517	126,517	0	124,485	124,485	.00%
Total Costs	\$10,989,987	\$11,948,676	\$11,849,150	\$99,526-	\$11,901,524	\$11,797,232	\$104,292-	7.82%
Fund Sources								
State Revenue Fund	87,011	91,046	88,244	2,802-	91,556	88,236	3,320-	1.42%
Federal Revenue Fund	10,902,976	11,857,630	11,760,906	96,724-	11,809,968	11,708,996	100,972-	7.87%
Total Funds	\$10,989,987	\$11,948,676	\$11,849,150	\$99,526-	\$11,901,524	\$11,797,232	\$104,292-	7.82%

Program Description

The Job Service Division provides a wide range of federally funded employment and training programs including: 1) employment services; 2) unemployment insurance; 3) veterans services; 4) migrant and seasonal farm worker services; 5) alien certification; 6) housing inspection; 7) immigration reform and control act; 8) federal bonding program; 9) job training partnership; 10) targeted job tax credit; and 11) trade adjustment/readjustment assistance. The Job Service Division also participates on Workers' Compensation rehabilitation panels.

Language

"The amount of Unemployment Insurance administrative tax funding for the Jobs for Montana's Graduates (JMG) program may not be increased."

"Funds appropriated in [Jobs for Montana's Graduates budget modification] must be distributed to the Office of Public Instruction for administration of the Jobs for Montana's Graduates program."

JOB SERVICE DIVISION

Budget

FTE increase by 5.25 from fiscal 1990 to fiscal 1992 due to: 1) the addition of 1.0 FTE from Centralized Services to decentralize department recordkeeping; 2) the addition of 6.0 FTE in the budget modifications discussed below; and 3) elimination of 1.75 FTE in the Work Incentive (WIN) program due to federal elimination of the program. Personal services increase 8.0 percent due to the budget modifications, which add \$143,999 in fiscal 1992 and \$143,664 in fiscal 1993; vacancy savings in fiscal 1990; and continuation of the 1991 pay plan in the 1993 biennium. These increases are partially offset by the 4 percent vacancy savings implemented by the legislature for the 1993 biennium, which reduce personal services by \$349,245 in fiscal 1992 and \$348,859 in fiscal 1993.

Operating expenses increase 3.7 percent because of: 1) a \$45,231 increase in rent; 2) a \$58,286 increase in data processing costs; and 3) the addition of \$103,870 through budget modifications. These increases are partially offset by a \$69,600 decrease in contracted services due to elimination of an alien certification contract and a \$28,137 decrease in agency indirect costs.

Equipment includes new vehicles, computers, and replacement office and duplicating equipment. Transfers contain funds for the Jobs for Montana's Graduates program, which must be distributed to the Office of Public Instruction for administration of that program.

Budget Modifications

Modification Type	-----Executive-----			-----Legislature-----				
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) Federal EDWAA/TAA	6.0	6.0	\$0	\$507,389	6.0	6.0	\$0	\$495,403
2) Jobs for Montana's Graduates*	1.0	1.0	0	251,002	0.0	0.0	0	251,002
Total	7.0	7.0	0	\$758,391	6.0	6.0	0	\$746,405

*Included in the revised Executive Budget (not shown in the Executive column in main table).

1) Economic Dislocated Worker Adjustment & Assistance/Trade Adjustment Assistance (EDWAA/TAA) - This modification adds 6.0 FTE to provide job training and adjustment services to laid-off or potentially laid-off employees. The program began in fiscal 1991 through a budget amendment and is totally funded with federal funds.

JOB SERVICE DIVISION

2) Jobs for Montana's Graduates (JMG) - This modification appropriates funds for transfer to the Office of Public Instruction for administration of the JMG program. These funds support operating expenses and grants to provide job training services to high school students at risk of dropping out. The program began in fiscal 1991 via budget amendment and is funded with Unemployment Insurance Administrative Tax funds.

Funding

State special revenue consists of Workers' Compensation funds to support the Workers' Compensation Rehabilitation Panel and increases 1.4 percent because of increases in personal services costs due to continuation of the 1991 pay plan increase in the 1993 biennium, which is offset by vacancy savings implemented for the 1993 biennium. Although the workers compensation rehabilitation panels were eliminated by HB 837, the 2.0 FTE associated with these panels were removed from the Employment Relations Division (ERD) budget. According to the department, funds currently appropriated in Job Service for the rehabilitation panels will be transferred to ERD to support rehabilitation activities replacing the panels.

Federal funds include federal Job Service funds, Employment and Training Council grant funds, and Unemployment Insurance Administrative Tax funds. UI Admin Tax of \$728,106 in fiscal 1992 and \$724,749 in fiscal 1993 is utilized in current level because federal Job Service funds are projected to be insufficient to fully fund the division.

UNEMPLOYMENT INSURANCE

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
<u>FTE</u>	98.90	98.90	98.90	.00	98.90	98.90	.00	.00
Personal Services	2,233,167	2,496,582	2,398,399	98,183-	2,492,305	2,395,708	96,597-	7.40%
Operating Expenses	1,279,684	1,292,762	1,383,487	90,725	1,272,921	1,343,702	70,781	8.11%
Equipment	18,467	85,914	85,914	0	64,243	64,243	0	365.23%
Total Costs	\$3,531,318	\$3,875,258	\$3,867,800	\$7,458-	\$3,829,469	\$3,803,653	\$25,816-	9.53%
<u>Fund Sources</u>								
Federal Revenue Fund	3,531,318	3,875,258	3,867,800	7,458-	3,829,469	3,803,653	25,816-	9.53%
Total Funds	\$3,531,318	\$3,875,258	\$3,867,800	\$7,458-	\$3,829,469	\$3,803,653	\$25,816-	9.53%

Program Description

The Unemployment Insurance Division administers the state's unemployment insurance law and related federal programs. This division determines employers' tax liability; processes employer quarterly reports; collects taxes; determines employer tax rates; receives, processes, and pays benefits claims; adjudicates problem claims; and compiles data for state and federal reporting. The division operates through three bureaus: 1) the Benefits Bureau; 2) the Contributions Bureau; and 3) the Planning and Evaluation Bureau.

Language

"The department shall provide information to the 53rd legislature regarding the actual amount collected by the 3.0 FTE added to collect Unemployment Insurance accounts receivable."

Budget

FTE show no change from fiscal 1990 to fiscal 1992 and 1993 as a net result of: 1) elimination of 3.0 FTE from current level due to extended vacancies; and 2) the addition of 3.0 FTE through the budget modification discussed below. Personal services increase 7.4 percent primarily due to vacancy savings realized in fiscal 1990 and continuation of the fiscal 1991 pay plan in the 1993 biennium. This increase is partially offset by vacancy savings implemented for the 1993 biennium, which reduce personal services by \$99,934 in fiscal 1992 and \$99,821 in fiscal 1993.

UNEMPLOYMENT INSURANCE

Operating expenses increase 8.1 percent primarily due to: 1) a \$36,586 increase in data processing costs for specialized computer programming; 2) a \$52,945 increase in agency indirect costs; and 3) the budget modification, which adds \$40,729 in fiscal 1992 and \$32,970 in fiscal 1993.

Budget Modifications

<u>Modification Type</u>	<u>-----Executive-----</u>			<u>-----Legislature-----</u>		
	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u>	<u>General Fund</u> <u>92-93</u>
1) UI Accounts Receivable	3.0	3.0	\$0	3.0	3.0	\$0
			\$234,297			\$228,520

1) UI Accounts Receivable: This modification provides 3.0 FTE and related operating expenses for collection of UI accounts receivable. According to the department, the division is not collecting accounts receivable due to staff shortage. Collection of accounts receivable would add approximately \$550,000 over the biennium to the Unemployment Insurance Trust Fund and could potentially increase contributions to the UI penalty and interest account. This modification is funded 100 percent with federal unemployment insurance funds.

Funding

Unemployment insurance is entirely funded with federal unemployment insurance funds.

COMMISSIONER/CENTRALIZED SERVICES

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	64.50	64.50	64.50	.00	64.50	64.50	.00	.00
Personal Services	1,794,061	1,891,127	1,812,101	79,026-	1,888,694	1,809,951	78,743-	1.01%
Operating Expenses	860,680	896,481	909,077	12,596	901,336	835,095	66,241-	5.62%
Equipment	40,311	56,138	56,138	0	19,107	19,107	0	39.26%
Total Costs	\$2,695,052	\$2,843,746	\$2,777,316	\$66,430-	\$2,809,137	\$2,664,153	\$144,984-	3.05%
Fund Sources								
State Revenue Fund	86,687	0	0	0	0	0	0	-100.00%
Federal Revenue Fund	314,650	0	0	0	0	0	0	-100.00%
Proprietary Fund	2,293,715	2,843,746	2,777,316	66,430-	2,809,137	2,664,153	144,984-	21.08%
Total Funds	\$2,695,052	\$2,843,746	\$2,777,316	\$66,430-	\$2,809,137	\$2,664,153	\$144,984-	3.05%

Program Description

The Commissioner/Centralized Services Division provides overall administration and support services to the department. The Commissioner's Office is responsible for overall administration of the department including: 1) provision of program direction; 2) management of human and financial resources; and 3) representation on all legislative matters. Centralized Services provides the central support functions of the department through four bureaus: 1) Information Services; 2) Management Services; and 3) Personnel and Training.

Budget

Personal services increase due to vacancy savings realized in fiscal 1990 and continuation of the fiscal 1991 pay plan in the 1993 biennium. This increase is partially offset by vacancy savings implemented for the 1993 biennium, which reduces personal services by \$76,891 in fiscal 1992 and \$76,607 in fiscal 1993.

Operating expenses increase by 5.6 percent due to additional mail, accounting, microfilming, and printing duties resulting from the reorganization and assumption of workers' compensation regulatory functions, and increased insurance and rent charges. These increases are partially offset by a decrease in workers' compensation audit costs. Equipment consists of specialized computer software, duplicating equipment, and computers.

COMMISSIONER/CENTRALIZED SERVICES

Funding

The Commissioner/Centralized Services program is funded entirely with charges assessed against the other programs of the department. State special revenue in the 1991 biennium consisted of a one-time only payment from the State Fund for indirect costs associated with reorganization and the addition of staff and programs to the department. Because this was a one-time only payment, it is not continued in the 1993 biennium. All indirect assessments in the 1993 biennium are paid by department programs.

Federal revenue in fiscal 1990 consisted of indirect assessments against other agency programs and DWC for support of the Audit Bureau. Audit functions have now been decentralized as part of the agency reorganization and all audit expenses will be funded with funding sources within the programs receiving audit staff.

Proprietary funds are indirect assessments charged to all programs within the department.

EMPLOYMENT RELATIONS

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
PFE	59.75	59.75	58.75	1.00-	59.75	58.75	1.00-	-1.00
Personal Services	1,343,866	1,572,170	1,487,126	85,044-	1,570,746	1,485,161	85,585-	10.66%
Operating Expenses	634,019	918,451	983,454	65,003	917,227	946,213	28,986	55.11%
Equipment	97,444	9,659	13,459	3,800	9,659	9,659	0	-86.19%
Benefits and Claims	496,989	423,224	423,224	0	394,028	394,028	0	-14.84%
Total Costs	\$2,572,318	\$2,923,504	\$2,907,263	\$16,241-	\$2,891,660	\$2,835,061	\$56,599-	13.02%
Fund Sources								
General Fund	507,748	423,224	434,423	11,199	394,028	405,167	11,139	-14.44%
State Revenue Fund	1,353,994	1,808,298	1,403,533	404,765-	1,801,539	1,356,435	445,104-	3.66%
Federal Revenue Fund	710,576	688,237	680,030	8,207-	692,348	684,365	7,983-	-4.30%
Proprietary Fund	0	3,745	389,277	385,532	3,745	389,094	385,349	.00%
Total Funds	\$2,572,318	\$2,923,504	\$2,907,263	\$16,241-	\$2,891,660	\$2,835,061	\$56,599-	13.02%

Program Description

The Employment Relations Division administers and enforces state statutes and rules on legal issues arising through the division's boards and bureaus. This division includes five functional units: 1) the five-member Board of Personnel Appeals, which hears classification appeals for state government employees and grievances for employees in the Departments of Highways and Fish, Wildlife, and Parks; 2) the three-member Board of Labor Appeals, which hears appeals concerning the administration of Montana's unemployment insurance laws; 3) the Administrative Support Unit, which provides division-wide administrative support and serves as staff for both of the division's quasi-judicial boards; 4) the Dispute Resolution Bureau, which assists organizations and individuals to arrive at early, less expensive settlement of their disputes and obligations concerning labor issues; and 5) the Standards Bureau, which enforces obligations created by state and federal laws and rules.

Language

"The department is appropriated up to \$1 million each year from accounts established in sections 39-71-502 and 39-71-901, MCA, to pay uninsured employer and subsequent injury benefits as required by sections 39-71-503 and 39-71-907, MCA."

"State special revenue in [Employment Relations Division] is increased by \$68,916 in fiscal 1992 and \$70,143 in fiscal 1993 if House Bill 837 is not passed into law." This bill has been signed into law.

EMPLOYMENT RELATIONS

"[House Bill 187 Implementation budget modification] is contingent upon passage and approval of House Bill 187." This bill has been signed into law.

"[House Bill 342 Implementation budget modification] is contingent upon passage and approval of House Bill 342." This bill was vetoed by the Governor. The appropriation contained in this budget modification has been removed from the program table above.

Budget

In mid-fiscal 1990, this division assumed insurance compliance and accident cataloging functions from the Division of Workers' Compensation. All FTE and related expenditures for the insurance compliance function is included in actual fiscal 1990 expenditures. Accident cataloging FTE and expenditures are included in the State Fund's actual fiscal 1990 expenditures.

FTE are reduced by 1.0 as a result of: 1) elimination of 2.0 FTE due to passage of House Bill 837, which eliminates the workers compensation rehabilitation panels; and 2) the addition of 1.0 FTE in the budget modification discussed below.

Personal services increase 10.6 percent because of: 1) an additional \$8,728 per year for per diem for members of the Boards of Personnel and Labor Appeals; 2) vacancy savings realized in fiscal 1990; 3) the addition of 1.0 FTE through budget modifications; and 4) continuation of the fiscal 1991 pay plan in the 1993 biennium. These increases are partially offset by the elimination of 2.0 FTE due to passage of House Bill 837; and vacancy savings implemented for the 1993 biennium, which reduce personal services by \$57,552 in fiscal 1992 and \$58,057 in fiscal 1993.

Operating expenses increase by 55.1 percent primarily due to increased costs as a result of the assumption of workers compensation functions, including: 1) a \$120,738 increase in rent; 2) a \$184,626 increase in agency indirect costs; 3) an \$86,616 increase in data processing costs; 4) a \$32,458 increase in travel; 5) an additional \$49,781 for accident cataloging costs; and 6) a \$25,762 increase in Department of Administration computer network charges. In addition, \$159 in fiscal 1992 and \$3,288 in fiscal 1993 is added due to the net of the budget modification and elimination of workers compensation panels through House Bill 837. Partially offsetting these increases are: 1) a \$120,000 decrease in audit expenses associated with the Division of Workers' Compensation; and 2) elimination of \$34,132 in phone-moving charges.

Equipment includes computer equipment. Benefits and claims are silicosis and social security offset benefits and decrease because the number of recipients is projected to decline.

EMPLOYMENT RELATIONS

Budget Modifications

<u>Modification Type</u>	<u>-----Executive-----</u>		<u>-----Legislative-----</u>	
	<u>FTE</u> <u>FY92</u>	<u>FTE</u> <u>FY93</u> <u>General Fund</u> <u>92-93</u>	<u>FTE</u> <u>FY92</u> <u>General Fund</u> <u>92-93</u>	<u>FTE</u> <u>FY93</u> <u>General Fund</u> <u>92-93</u>
1) House Bill 187 Implementation	0.0	0.0	1.0	1.0
		\$0	\$0	\$0
				\$82,923

1) House Bill 187 Implementation - This modification adds 1.0 FTE, operating expenses and equipment to comply with requirements of House Bill 187, which mandates changes in the way workers compensation premiums for construction industry are calculated. This modification is fully funded with workers compensation state special revenue funds.

While House Bill 2 contains a line item appropriation for implementation of House Bill 342 (which mandates the department to investigate complaints regarding workers compensation coverage in the construction industry), this bill was vetoed by the Governor, making this appropriation void.

Funding

General fund, which supports silicosis and social security offset payments and program administration, decreases by 14.4 percent due to an anticipated reduction in benefit recipients.

State special revenue includes workers' compensation funds and Board of Personnel Appeals fact-finding income. The 3.7 percent increase is the net result of: 1) the increased level of workers compensation regulatory activity; and 2) transfer of administration of uninsured employer and subsequent injury benefit payments from state special to proprietary funds. This increase is partially offset by the net decrease in workers compensation funds needed to implement House Bills 187 and 837.

Federal revenue consists of Unemployment Insurance funds and Unemployment Insurance Administrative Tax funds. Proprietary funds increase because of the transfer of uninsured employer and subsequent injury benefit payments from state special revenue.

LEGAL SERVICES DIVISION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	18.00	18.00	18.00	.00	18.00	18.00	.00	.00
Personal Services	494,880	588,395	565,072	23,323-	587,851	564,585	23,266-	14.18%
Operating Expenses	203,899	250,813	264,941	14,128	251,278	268,949	17,671	29.94%
Equipment	46,858	5,422	5,422	0	5,584	5,584	0	-88.43%
Total Costs	\$745,637	\$844,630	\$835,435	\$9,195-	\$844,713	\$839,118	\$5,595-	12.04%
<u>Fund Sources</u>								
State Revenue Fund	218,760	241,016	243,463	2,447	240,920	244,610	3,690	11.29%
Federal Revenue Fund	405,423	467,840	458,877	8,963-	468,006	461,562	6,444-	13.18%
Proprietary Fund	121,454	135,774	133,095	2,679-	135,787	132,946	2,841-	9.58%
Total Funds	\$745,637	\$844,630	\$835,435	\$9,195-	\$844,713	\$839,118	\$5,595-	12.04%

Program Description

The Legal Division provides legal and hearings services to the department. This new division, which was created during the recent departmental reorganization, absorbed the regulatory duties of the former Workers' Compensation Division. It consists of a Legal Unit and a Hearings Bureau.

Budget

Legal Services is a new division, created during fiscal 1990 to centralize all department legal and hearings functions. Personal services increase 14.2 percent due to: 1) upgrades given to all attorneys in late fiscal 1990, which adds approximately \$71,000 per year; 2) vacancy savings realized in fiscal 1990; and 3) continuation of the fiscal 1991 pay increases in the 1993 biennium. This increase is partially offset by the 4 percent vacancy savings implemented for the 1993 biennium, which reduces personal services by \$23,545 in fiscal 1992 and \$23,524 in fiscal 1993.

The 29.9 percent increase in operating expenses is primarily due to: 1) a \$50,504 increase in agency indirect costs; and 2) a \$6,483 increase in Department of Administration computer network charges. Equipment is computer equipment.

LEGAL SERVICES DIVISION

Funding

State special revenue consists of workers' compensation funds which support workers' compensation hearings. Federal revenue includes federal unemployment insurance funds, which support hearings on Unemployment Insurance benefit appeals, and Unemployment Insurance Administrative Tax funds for Board of Personnel Appeals activities. Proprietary funds are assessments against department programs using legal services, which provides general agency legal support.

RESEARCH, SAFETY, AND TRAINING

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	66.50	59.50	60.00	.50	59.50	60.00	.50	-6.50
Personal Services	1,798,697	1,712,446	1,653,214	59,232-	1,712,269	1,653,300	58,969-	-8.09%
Operating Expenses	1,191,980	1,004,914	1,025,122	20,208	987,066	993,570	6,504	-14.00%
Equipment	142,143	96,829	76,454	20,375-	109,297	76,454	32,843-	-46.21%
Total Costs	\$3,132,820	\$2,814,189	\$2,754,790	\$59,399-	\$2,808,632	\$2,723,324	\$85,308-	-12.07%
Fund Sources								
State Revenue Fund	687,504	747,614	727,437	20,177-	748,611	728,061	20,550-	5.81%
Federal Revenue Fund	2,445,316	2,066,575	2,027,353	39,222-	2,060,021	1,995,263	64,758-	-17.09%
Total Funds	\$3,132,820	\$2,814,189	\$2,754,790	\$59,399-	\$2,808,632	\$2,723,324	\$85,308-	-12.07%

Program Description

The Research, Safety, and Training Division provides planning and administrative functions for employment, job training, and safety activities in the department. The division is organized into three bureaus: 1) the Apprenticeship and Training Bureau, which administers employment and training programs, serves as staff to the State Job Training Coordinating Council and Apprenticeship Advisory Council, and serves as the state registration agency for apprenticeship programs; 2) the Research and Analysis Bureau, which develops data and statistics, conducts studies, charts and forecasts trends, and publishes information regarding employment and unemployment in Montana; and 3) the Safety Bureau, which administers the state's industrial safety laws.

Budget

In the 1991 biennium, the department provided administrative support for the two private industry councils (PIC's) that disburse federal JTPA funds. In the 1993 biennium, that support function was privatized, eliminating 7.0 FTE. Partially offsetting this decrease was the addition of 0.5 FTE for a JTPA program officer.

Personal services decrease 8.1 percent due to: 1) the reduction in FTE; and 2) the 4 percent vacancy savings implemented for the 1993 biennium, which reduces personal services by \$71,339 in fiscal 1992 and \$70,853 in fiscal 1993. These reductions are partially offset by vacancy savings realized in fiscal 1990 and continuation of the fiscal 1991 pay plan increase in the 1993 biennium.

Operating expenses decrease 14.0 percent from fiscal 1990 to 1992. Significant items contributing to the decrease include: 1) a \$69,681 decrease in one-time supply costs; 2) a \$39,659 decrease in audit fees associated with administrative support for the PIC's;

RESEARCH, SAFETY, AND TRAINING

and 3) a \$33,614 reduction in contracted services due to privatization of administrative support for the PIC's. In fiscal 1993, indirect costs are reduced by \$16,831, and contracted services by \$9,000 due to expected completion of an apprenticeship promotion video.

Equipment in the 1993 biennium includes automobiles and various computer and safety equipment.

Funding

State special revenue is workers' compensation funds, which support the Safety Bureau. Federal funds include three grants: 1) two from the Occupational Safety and Health Administration (OSHA) for on-site consultation and a statistical study, totalling \$90,262 each year; and 2) one from the Mining Safety and Health Administration for mine safety training, which totals \$37,111 per year. Other federal funds include employment and training council grants, Unemployment Insurance Administrative Tax, Bureau of Labor Statistics, and National Occupational Information Coordinating Committee (NOICC) funds. The 17.1 percent decrease in federal funds is primarily related to the privatization of administrative support for the private industry councils and vacancy savings implemented for the 1993 biennium.

HUMAN RIGHTS COMMISSION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	9.84	9.00	10.00	1.00	9.00	10.00	1.00	.16
Personal Services	270,432	267,306	288,303	20,997	267,462	288,392	20,930	6.61%
Operating Expenses	125,943	108,064	133,072	25,008	108,488	134,456	25,968	5.66%
Equipment	6,512	4,000	7,800	3,800	4,000	4,000	0	19.78%
Total Costs	\$402,887	\$379,370	\$429,175	\$49,805	\$379,950	\$426,848	\$46,898	6.52%
<u>Fund Sources</u>								
General Fund	259,440	276,509	327,705	51,196	277,090	325,385	48,295	26.31%
Federal Revenue Fund	143,447	102,861	101,470	1,391-	102,860	101,463	1,397-	-29.26%
Total Funds	\$402,887	\$379,370	\$429,175	\$49,805	\$379,950	\$426,848	\$46,898	6.52%

Program Description

The Human Rights Division is responsible for enforcement of the Montana Human Rights Act and the Governmental Code of Fair Practices through investigations, conciliation, hearings, and education. This division consists of two functions: 1) the Human Rights Commission, which is administratively attached to the department and is responsible for enforcing laws which prohibit discrimination in employment, housing, public accommodations, financing and credit transactions, insurance, education, and government services; and 2) Human Rights Outreach, which educates the public about laws prohibiting discrimination to promote voluntary compliance.

Legislative Intent

The Department shall use the additional FTE and operating expenses included in the budget modification to reduce the backlog of cases filed with the Human Rights Commission. It is intended that an additional 50 cases per year be closed.

Budget

FTE increase by 0.16 FTE as a net result of: 1) elimination of 0.84 FTE due to discontinuation of a federal fair housing grant; and 2) the addition of 1.0 FTE in the budget modification discussed below.

HUMAN RIGHTS COMMISSION

The personal services budget increases due to the additional FTE, vacancy savings in fiscal 1990, and continuation of the fiscal 1991 pay plan in the 1993 biennium. These increases are partially offset by a 2 percent vacancy savings rate applied to this program for the 1993 biennium, which reduces personal services by \$6,444 in fiscal 1992 and \$6,443 in fiscal 1993.

Operating expenses increase by 5.7 percent because of: 1) a \$5,000 increase in agency indirect costs; 2) a \$4,364 increase in computer network charges; and 3) an additional \$17,375 added through the budget modification in fiscal 1992. These increases are partially offset by elimination of \$19,732 in fair housing grant expenditures.

Equipment funded in the 1993 biennium includes office and computer equipment.

Budget Modifications

<u>Modification Type</u>	-----Executive-----			-----Legislature-----		
	FTE FY92	FTE FY93	General Fund 92-93	Total FY92 92-93	FTE FY93	Total 92-93
1) Case Backlog	0.0	0.0	\$0	\$0	1.0	\$ 81,589
					1.0	\$ 81,589
						\$ 81,589

1) Case Backlog - This modification adds 1.0 FTE and operating expenses to reduce the backlog of cases currently filed with the Human Rights Commission by 50 cases per year. Funding is general fund.

Funding

All cases heard by the Human Rights Commission fall under state law and are therefore eligible to be funded with general fund. However, in some instances, the cases are also covered by federal law. In this event, the commission is entitled to a reimbursement from either the Equal Employment Opportunity Commission (EEOC) or the federal Department of Housing and Urban Development (HUD). Case reimbursements are anticipated to increase slightly from \$98,479 in fiscal 1990 to \$102,860 each year of the 1993 biennium.

Federal funds decrease over the biennia due to elimination of a fiscal 1990 fair housing grant totaling \$44,970.

WORKERS' COMPENSATION JUDGE

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	8.00	8.00	8.00	.00	8.00	8.00	.00	.00
Personal Services	230,916	253,383	253,383	0	252,534	252,534	0	9.73%
Operating Expenses	81,232	91,613	97,182	5,569	92,971	97,509	4,538	19.64%
Equipment	2,770	5,600	5,600	0	5,600	5,600	0	102.17%
Total Costs	\$314,918	\$350,596	\$356,165	\$5,569	\$351,105	\$355,643	\$4,538	13.10%
Fund Sources								
State Revenue Fund	314,918	350,596	356,165	5,569	351,105	355,643	4,538	13.10%
Total Funds	\$314,918	\$350,596	\$356,165	\$5,569	\$351,105	\$355,643	\$4,538	13.10%

Program Description

The Workers' Compensation Court provides a forum for Montana's employees and the insurance industry to resolve disputes arising out of work-related injuries and occupational disease. The court is attached to the department for administrative purposes.

Language

"Contingent upon passage and approval of Senate Bill 228, the budget director shall increase [the Workers' Compensation Court budget] by the amount necessary to bring the salary and benefits of the workers' compensation judge to the levels authorized by Senate Bill 228 less any increase provided for in the pay plan bill." Senate Bill 228, which was signed into law, increases the salaries of district court judges. Under current law, the workers' compensation judge's salary must be equivalent to the salary of district court judges.

Budget

As part of the reorganization of DOLI and the Division of Workers' Compensation, the Workers' Compensation Court was transferred to DOLI from the Department of Administration in fiscal 1990.

WORKERS' COMPENSATION JUDGE

Personal services increase 9.7 percent due to vacancy savings in fiscal 1990 and continuation of the fiscal 1991 pay plan increase in the 1993 biennium. No vacancy savings has been applied to this program's budget for the 1993 biennium. The language appropriation to fund the increase in the workers' compensation judge's salary is not included in the table above.

Operating expenses increase 19.6 percent primarily because of additional costs associated with the reorganization, which are only partially reflected in fiscal 1990 expenditures, including: 1) \$11,296 for agency indirect costs; 2) \$710 for photocopier rental; 3) \$1,821 for office rent; and 4) \$2,044 for courtroom rental.

The equipment budget includes computer equipment, fax machines, and office equipment.

Funding

The Workers' Compensation Judge program is funded entirely with workers' compensation state special revenue funds.

JOB TRAINING GRANTS

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	3.00	.00	.00	.00	.00	.00	.00	-3.00
Operating Expenses	0	360,000	286,145	73,855-	360,000	286,145	73,855-	.00%
Grants	9,312,213	14,537,705	15,804,704	1,266,999	14,824,318	16,555,799	1,731,481	69.72%
Benefits and Claims	82,146	0	0	0	0	0	0	-100.00%
Total Costs	\$9,394,359	\$14,897,705	\$16,090,849	\$1,193,144	\$15,184,318	\$16,841,944	\$1,657,626	71.28%
Fund Sources								
Federal Revenue Fund	9,394,359	14,897,705	16,090,849	1,193,144	15,184,318	16,841,944	1,657,626	71.28%
Total Funds	\$9,394,359	\$14,897,705	\$16,090,849	\$1,193,144	\$15,184,318	\$16,841,944	\$1,657,626	71.28%

Program Description

The Job Training Grants program provides funds for job training for economically disadvantaged individuals and individuals with serious barriers to employment. The federal Job Training Partnership Act (JTPA), which distributes federal funds to state agencies and private, non-profit organizations providing job training programs, is the major activity in this program.

Language

"Funds appropriated in [Job Training Partnership Act budget modification] to replace federal fund reductions in Job Training Partnership Act (JTPA) programs statewide are one-time only funds and may only be used if and to the extent federal JTPA funds allocated to the state are less than the amount allocated in state fiscal year 1991. Unspent funds revert to the job service reserve fund in the Unemployment Insurance Administrative Tax account."

Legislative Intent

Federal fund reductions in JTPA have been funded with Unemployment Insurance Administrative Tax funds in the 1993 biennium. The Department shall allocate these JTPA funds using the existing allocation formula consistent with each Job Training Partnership Act (JTPA) Title.

JOB TRAINING GRANTS

Budget

This program consists of two functions: 1) Job Training Partnership Act (JTPA); and 2) job training programs funded with Unemployment Insurance Administrative Tax funds.

JTPA funds are granted to various programs around the state to provide employment and training services to persons with barriers to employment. The funds are distributed by two public, non-state, private industry councils (PICs). The appropriation in DOLI is for pass-through to the PIC's for distribution. Job Service Division is expected to receive approximately \$4.5 million each year in grants from the PIC's for JTPA programs. JTPA funds also support the EDWAA/TAA budget modification discussed below.

Unemployment Insurance Administrative Tax funds are granted for other job training programs: 1) \$216,000 per year to Displaced Homemakers; 2) \$286,145 per year to the Project Work Program (PWP); and 3) \$1,267,759 in fiscal 1992 and \$1,732,241 in fiscal 1993 to the department for JTPA, contingent upon a reduction in federal JTPA funds allocated to the state. In fiscal 1990, only Displaced Homemakers and the New Horizons program received UI Admin Tax funds. New Horizons is eliminated in the 1993 biennium because program services have been replaced by the Job Opportunities and Basic Skills (JOBS) program administered by the Department of Social and Rehabilitation Services.

In fiscal 1990, 3.0 FTE were authorized to administer job training programs for AFDC recipients. However, the Department of Social and Rehabilitation Services (SRS) assumed administration of these programs and no FTE were hired or funds expended in DOLI. The FTE are not continued in the 1993 biennium.

Operating expenses consist of matching funds for PWP contracts, which are awarded to the Department by SRS. In fiscal 1990, SRS used a portion of their general fund appropriation as match for Department of Labor PWP contracts.

Grants are awarded to implement the job training programs supported with Unemployment Insurance Administration Tax and to the PIC's for disbursement of JTPA funds.

Benefits and claims are payments to JTPA participants for supportive services (such as transportation) to make them more employable. Since the level of payments are not known in advance, JTPA supportive service payments are budgeted as part of the total grant allocation in the 1993 biennium.

DEPARTMENT OF SOCIAL & REHABILITATION SERVICES

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	901.72	905.90	906.90	1.00	908.15	909.15	1.00	5.18
Personal Services	20,277,393	23,539,648	22,628,200	911,448-	23,577,879	22,664,830	913,049-	11.59%
Operating Expenses	13,209,894	20,571,726	21,226,995	655,269	18,460,848	18,983,844	522,996	60.69%
Equipment	836,433	395,227	399,227	4,000	265,858	265,858	0	-52.27%
Local Assistance	11,168	35,000	35,000	0	35,000	35,000	0	213.40%
Grants	0	0	16,000	16,000	0	16,000	16,000	.00%
Benefits and Claims	265,643,478	337,899,038	343,188,985	5,289,947	362,434,413	368,951,131	6,516,718	29.19%
Transfers	<u>1,176,715</u>	<u>2,107,017</u>	<u>2,884,914</u>	<u>777,897</u>	<u>2,124,908</u>	<u>2,902,805</u>	<u>777,897</u>	<u>145.17%</u>
Total Costs	\$301,155,081	\$384,547,656	\$390,379,321	\$5,831,665	\$406,898,906	\$413,819,468	\$6,920,562	29.63%
<u>Fund Sources</u>								
General Fund	78,280,597	92,980,075	94,471,634	1,491,559	99,723,162	102,262,954	2,539,792	20.68%
State Revenue Fund	10,777,681	12,266,815	14,296,244	2,029,429	12,418,520	14,444,050	2,025,530	32.65%
Federal Revenue Fund	211,125,482	277,161,852	281,611,441	4,449,589	292,653,811	297,112,463	4,458,652	33.39%
Proprietary Fund	<u>971,321</u>	<u>2,138,914</u>	<u>2</u>	<u>2,138,912-</u>	<u>2,103,413</u>	<u>1</u>	<u>2,103,412-</u>	<u>-100.00%</u>
Total Funds	\$301,155,081	\$384,547,656	\$390,379,321	\$5,831,665	\$406,898,906	\$413,819,468	\$6,920,562	29.63%

Agency Description

The Department of Social and Rehabilitation Services (SRS), provided for in Section 2-15-22, MCA, and Title 53, MCA, is responsible for a broad range of human services including the state's welfare programs, medical assistance and care, and training for persons with disabilities. Department staff provide services to assist blind and partially blind persons become gainfully employed and promote the restoration of handicapped Montanans to their fullest physical, mental, vocational, and social abilities. The department's mission statement is "Working Together To Empower Montanans", and its policies are designed to encourage people to become self-sufficient and to assist those who cannot do so.

Budget

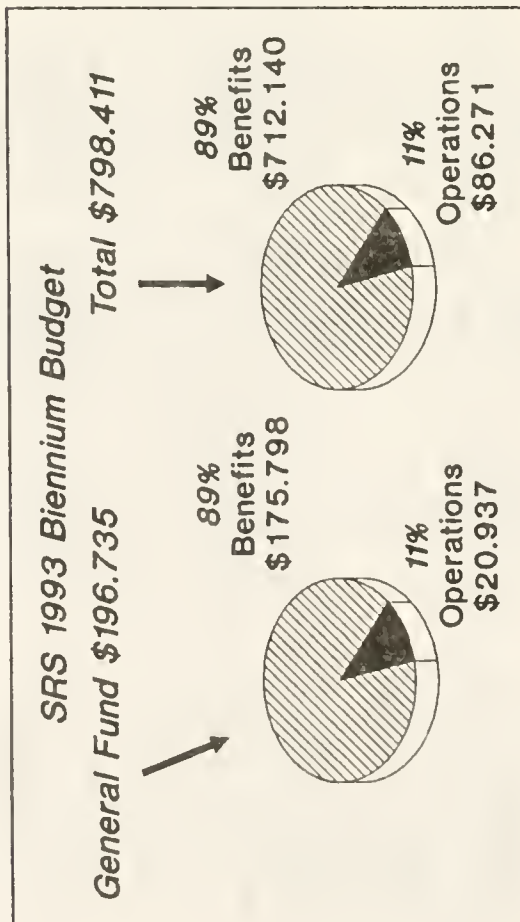
The legislature approved FTE levels which increase 5.18 FTE in fiscal 1992 and 7.43 FTE in fiscal 1993 above the fiscal 1990 level. Personal service expenditures increase 11.6 percent from fiscal 1990 to fiscal 1992. Major factors contributing to this increase are: 1) the approval of additional FTE; 2) vacancy savings occurring in fiscal 1990 in excess of that budgeted in the 1993 biennium; 3) position upgrades approved during the 1991 biennium; and 4) funding for all 121.0 FTE authorized by the 1989 legislature in the

DEPARTMENT OF SOCIAL & REHABILITATION SERVICES

Child Support Enforcement program which began in fiscal 1990 with 51.0 FTE. Employee pay increases for fiscal 1992 and fiscal 1993 (House Bill 509) are not included in the table above or in the program tables. A description of the pay plan increases and a table showing allocations to each agency is contained in volume I of this report in the "Pay Plan" section.

Operating expenses increase 61.0 percent from fiscal 1990 to fiscal 1992. Major factors contributing to this increase are: 1) the conversion of several FTE to contracted services; 2) two programs authorized by the 1989 legislature (the Child Support Enforcement program and the program providing specialized communication services to the handicapped) will operate at full capacity during the 1993 biennium; and 3) legislative approval of budget modifications for contracted services, computer services and computer development. Equipment expenditures decrease from the fiscal 1990 level due to one-time equipment purchases in fiscal 1990. (Approximately \$515,000 was spent on equipment purchases for the Child Support Enforcement program and TEAMS project in fiscal 1990.)

Most department expenditures are for benefits. The graph at left depicts the department's total and general fund 1993 biennium budgets, exclusive of federal funds transfers, but including the nursing home re-basing appropriations contained in House Bill 93. Approximately 89 percent of both total and general fund 1993 biennium budgets are appropriated for various benefit programs administered by the department. The remaining 11 percent is appropriated for personal services, operations and equipment. During the 1993 biennium, \$712.14 million (\$175.80 million general fund) are appropriated for benefits. Benefits increase significantly from fiscal 1990 through the 1993 biennium as depicted in Tables 1 and 2. Total benefits increase at an annual rate of 11.6 percent from fiscal 1990 actual expenditures through fiscal 1993 appropriations, while the portion of benefits funded by the state general fund increase 9.2 percent during the same period. Table 1 shows 1993 biennium legislative appropriations for benefits by type and the average annual percentage increase between fiscal 1990 and fiscal 1993. Table 2 shows the same information for general fund appropriations.



DEPARTMENT OF SOCIAL & REHABILITATION SERVICES

Table 1
1993 Biennium Benefit Appropriations

Benefit Type	Fiscal 1990	Fiscal 1992	FY92 Over (Under) FY90	Fiscal 1993	FY93 Over (Under) FY90	Annual Change FY90-FY93
Financial Assistance	\$ 54,224,648	\$ 60,704,576	\$ 6,479,928	\$ 62,814,835	\$ 8,590,187	5.02%
Medical Assistance	183,780,182	245,790,471	62,010,289	265,223,626	81,443,444	13.01%
Vocational Rehabilitation	5,562,258	6,132,412	570,154	6,286,833	724,575	4.17%
Visual Services	671,489	670,062	(1,427)	699,200	27,711	1.36%
Developmental Disabilities	21,273,311	29,823,464	8,550,153	33,858,637	12,585,326	16.76%
Other	131,590	68,000	(63,590)	68,000	(63,590)	-19.75%
Total Benefits	\$265,643,478	\$343,188,985	\$77,545,507	\$368,951,131	\$103,307,653	11.57%

Table 2
1993 Biennium General Fund Benefit Appropriations

Benefit Type	Fiscal 1990	Fiscal 1992	FY92 Over (Under) FY90	Fiscal 1993	FY93 Over (Under) FY90	Annual Change FY90-FY93
Financial Assistance	\$14,207,349	\$15,211,157	\$ 1,003,808	\$15,775,775	\$ 1,568,426	3.55%
Medical Assistance	47,583,072	56,144,055	8,560,983	61,081,024	13,497,952	8.68%
Vocational Rehabilitation	728,062	1,029,954	301,892	1,082,424	354,362	14.13%
Visual Services	154,983	167,268	12,285	174,540	19,557	4.04%
Developmental Disabilities	7,692,047	11,533,115	3,841,068	13,598,378	5,906,331	20.92%
Total Benefits	\$70,365,513	\$84,085,549	\$13,720,036	\$91,712,141	\$21,346,628	9.23%

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Total benefit appropriations increase \$77.55 million in fiscal 1992 and \$103.31 million in fiscal 1993 above the actual fiscal 1990 level, while general fund benefit appropriations increase \$13.72 million and \$21.35 million respectively. Major factors contributing to these increases are: 1) significant increases in the number of persons eligible to receive medicaid services; 2) increased utilization of medicaid services; 3) increases in the Aid to Families with Dependent Children (AFDC) average monthly caseload; 4) continuation of welfare payments at 42.0 percent of the federal poverty index (which is estimated to increase approximately 5.0 percent annually; 5) approval of provider rate increases; 6) reductions in client waiting lists; and 7) legislative approval of budget modifications requested by the executive. These increases are only partially offset by decreases in appropriations for the State Medical and General Assistance (GA) benefit programs. Transfers are federal funds transferred to the Departments of Labor and Industry (DOLI) for job and training related activities and to the Department of Family Services (DFS) for case management of persons with developmental disabilities.

Budget Modifications

Modification Type	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) AFDC/GA @ 42% Poverty			\$ 87,500	\$ 279,500			\$ 1,737,353	\$ 5,592,330
2) Food Stamp Activities			1,706,734	5,280,736			87,500	279,500
3) State-wide JOBS Program				753,279			1,418,734	5,280,736
4) Child Support Enforcement				366,760				813,391
5) Provider Rate Studies			183,380	300,000			183,380	366,760
6) State Medical Managed Care			300,000	300,000			300,000	300,000
7) Medicaid Managed Care*	1.00	1.00	292,415	869,812	1.00	1.00	292,415	869,812
8) Medicaid Expansions	3.00	3.00	3,080,112	22,234,954	3.00	3.00	2,578,053	20,591,932
9) Provider Rate Increases			9,104,794	32,330,473			12,961,940	39,973,819
10) TDD Project Implementation	1.00	1.00		139,383	1.00	1.00		137,962
11) TEAMS Operations			923,977	923,977			923,977	923,977
12) SEARCHS				5,513,120				5,513,120
13) Vocational Rehabilitation				80,000			310,910	310,910
14) Job Training Partnership Act								80,000
15) Developmental Disabilities	5.00	8.00	4,817,381	11,040,299	5.00	8.00	4,874,218	12,023,279
16) DD Advisory Council				84,981				84,981
Total Modifications	10.00	13.00	\$20,496,293	\$80,197,274	10.00	13.00	\$25,668,480	\$93,142,509
Legislative Action Over Executive = \$ 5,172,187								
\$12,945,235								

* Included in the revised Executive Budget, but not shown in the "Executive" column in agency or program tables.

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Budget modifications approved by the legislature exceeded the Executive request by \$12.95 million (\$5.17 million general fund) for the 1993 biennium. Table 3 shows the areas in which the legislatively-approved budget modifications are under or over the Executive request.

Table 3
Legislative Budget Modifications Over (Under) Executive Budget Modification Requests

Modification Type	General Fund 92-93	Total 92-93
1) AFDC/GA Payments @ 42% of Federal Poverty Index	\$1,737,353	\$ 5,592,330
2) Day Care Rate Increase	90,954	322,883
3) Medicaid Waiver Group Home Rate Increases	9,535	33,861
4) Vocational Rehabilitation 4.5% Provider Rate Increase	156,374	758,239
5) Vocational Rehabilitation Program Expansion	310,910	310,910
6) Visual Services 4.5% Provider Rate Increase	21,680	86,854
7) Developmental Disabilities 4.5% Provider Rate Increase	2,847,654	3,853,394
8) Developmental Disabilities Program Expansion	363,558	1,298,420
9) Nursing Home Re-basing	2,101,677	7,449,664
10) Legislatively-Reduced Executive Budget Modifications	(2,467,508)	(6,761,320)
Total Legislative Over Executive Budget Modifications	\$5,172,187	\$12,945,235

In addition to the reductions to Executive budget modification requests shown in Table 3, the legislature provided no funding for two Executive budget modifications totalling \$1.07 million (\$302,987 million general fund). Additional information on budget modifications is contained in the program narratives.

Funding

The department is funded by a mix of general fund, state revenue (county funds and collections from child support enforcement activities which are changed from proprietary to state revenue in the 1993 biennium), and federal funds, which comprise nearly 72.0 percent of the department's funding in fiscal 1993. Federal funding for major benefit programs is 71.71 percent in fiscal 1992 and estimated at 71.9 percent in fiscal 1993. Total funding increases \$89.22 million in fiscal 1992 and \$112.66 million in fiscal 1993 above the fiscal 1990 level. General fund increases at an annual rate of 9.32 percent from fiscal 1990 to fiscal 1993, while federal funds increase 12.06 percent annually during the same period. Table 4 shows 1993 biennium funding by type and the annual percentage increase between fiscal 1990 and fiscal 1993.

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Table 4
1993 Biennium Funding Sources

Fund Type	Fiscal 1990	Fiscal 1992	FY92 Over (Under) FY90	Fiscal 1993	FY93 Over (Under) FY90	Annual Change FY90-FY93
General Fund	\$ 78,280,597	\$ 94,471,634	\$16,191,037	\$102,262,954	\$ 23,982,357	9.32%
State Revenue Fund*	11,749,002	14,296,246	2,547,244	14,444,051	2,695,049	7.13%
Federal Revenue Fund	211,125,482	281,611,441	70,485,959	297,112,463	85,986,981	12.06%
Total Funds	\$301,155,081	\$390,379,321	\$89,224,240	\$413,819,468	\$112,664,387	11.17%

*Includes proprietary funds in fiscal 1990 appropriated as state special revenue in the 1993 biennium.

Table 5 shows the department's 1993 biennium general fund appropriations by program and the annual percentage increase between fiscal 1990 and fiscal 1993.

Table 5
1993 Biennium General Fund Appropriations by Program

Program	Fiscal 1990	Fiscal 1992	FY92 Over (Under) FY90	Fiscal 1993	FY93 Over (Under) FY90	Annual Change FY90-FY93
Family Assistance	\$14,951,872	\$15,988,247	\$ 1,036,375	\$ 16,553,041	\$ 1,601,169	3.45%
Eligibility Determination	2,244,713	2,463,835	219,122	2,461,200	216,487	3.12%
Administrative & Support	733,344	696,736	(36,608)	628,125	(105,219)	-5.03%
Assumed Counties Admin.	637,682	606,151	(31,531)	606,639	(31,043)	-1.65%
Medical Services	48,887,272	58,331,270	9,443,998	63,178,400	14,291,128	8.92%
Audit & Program Compliance	598,523	578,770	(19,753)	578,628	(19,895)	-1.12%
Management, Analysis & Systems	1,123,483	2,298,849	1,175,366	2,559,728	1,436,245	31.59%
Vocational Rehabilitation	848,936	1,178,023	329,087	1,229,463	380,527	13.14%
Visual Services	259,710	289,062	29,352	296,129	36,419	4.47%
Developmental Disabilities	7,995,062	12,040,691	4,045,629	14,171,601	6,176,539	21.02%
Total G. Fund Appropriations	\$78,280,597	\$94,471,634	\$16,191,037	\$102,262,954	\$23,982,357	9.32%

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Other Legislation

The table below lists legislation other than House Bill 2 which appropriate funds to the department. Only House Bill 93 appropriations are shown in the agency and program tables.

Bill No./Description	-----Fiscal 1992-----			-----Fiscal 1993-----		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
HB 10 - Oil Overcharge*			\$ 625,000			\$ 625,000
HB 93 - Nursing Facility Bed Fee		\$1,239,048	4,379,809		\$1,253,979	4,462,559
HB 978 - Personal Care Facilities					60,000	213,523
Total	0.00	\$1,239,048	\$5,004,809	0.00	\$1,313,979	\$5,301,082

* Unexpended FY 92 appropriation may be carried into FY 93.

HB 10 - Oil Overcharge - This bill appropriates \$1.25 million of oil overcharge funds for two purposes: 1) \$1.15 million for low-income home weatherization; and 2) \$100,000 for low-income energy assistance. The appropriation for weatherization will augment the appropriation contained in HB 2 for weatherization, while the appropriation for energy assistance will be matched with private contributions to energy share for providing assistance to persons who do not qualify for the federal low-income energy assistance program but whose income is less than 150 percent of the federal poverty threshold.

HB 93 - Nursing Facility Bed Fee - This bill appropriates \$4.38 million (\$1.24 million general fund) in fiscal 1992 and \$4.46 million (\$1.25 million general fund) in fiscal 1993 to increase medicaid reimbursement rates for private nursing facilities. This legislation also imposes a \$1.00 per bed day fee in fiscal 1992 and a \$2.00 per bed day fee in fiscal 1993 and thereafter on all nursing facilities in the state. The fee is imposed only upon beds occupied by residents for whom third-party payors are responsible for reimbursing the facility. The fee is not imposed on beds occupied by residents who reimburse the facility for their own care or whose cost of care is reimbursed by a friend or relative. The fee is deposited in the state general fund and is intended to partially offset the general fund cost of re-basing nursing facility medicaid reimbursement rates during the 1993 biennium. The fee is estimated to raise \$4.58 million from private nursing facilities during the biennium, while the total state general fund cost of re-basing (including the re-basing appropriation in HB 2) private nursing facility rates during the biennium is \$6.25 million. More detail is provided on this legislation and nursing facility rate re-basing in the Medical Assistance program narrative.

HB 978 - Personal Care Facilities - This legislation requires the department to seek a waiver from the federal government to establish a pilot program for testing the feasibility of providing medicaid reimbursement for services to the elderly and disabled in personal-care facilities. The intent of the legislation as stated in Section 1 is to "minimize inappropriate medicaid admissions of the

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elderly and disabled to nursing care facilities" and to "provide the most efficient and effective use of public funds in the delivery of medicaid services to the elderly and disabled". This bill appropriates \$213,523 (\$60,000 general fund) in fiscal 1993, contingent upon approval of the waiver from the federal government.

Other legislation for which implementation appropriations are contained in HB 2, or which impact the department's budget are listed below:

HB 545, introduced at the request of the department, requires medicaid reimbursement for federally qualified health center services and includes hospice care as an optional medicaid service in the Montana medicaid plan. The bill also authorizes the department to pay a medicaid-eligible person's expenses for premiums, coinsurance, and similar costs for health insurance or other available health coverage as permitted under federal law. The legislature approved an Executive budget modification of \$130,000 in HB 2 to fund medicaid reimbursement for federally-qualified health center services. Hospice services will be funded from the medicaid primary care appropriation during the 1993 biennium.

HB 876 requires ambulatory prenatal care for pregnant women during a presumptive eligibility period as a mandatory service under the Montana medicaid plan. Presumptive eligibility will be determined by certain medicaid providers using abbreviated eligibility criteria until such time as the recipient is granted or denied full medicaid eligibility. The only services provided under this special eligibility criteria are ambulatory prenatal care. (Inpatient hospital services are not reimbursed under presumptive eligibility.) This bill also makes targeted case management services for high-risk pregnant women a mandatory medicaid service. Additional costs which may result from services provided under presumptive eligibility are unknown at this time. The legislature approved an Executive budget modification of \$986,196 in HB 2 to fund these case management services during the 1993 biennium.

HB 977 authorizes inpatient residential treatment as an optional service in the Montana medicaid program. HB 304, enacted by the 1989 legislature authorized medicaid reimbursement for this service during the 1991 biennium as a pilot program. This bill continues authorization for this service and provides a specific definition of the services which these facilities must provide to be eligible for medicaid reimbursement. The legislature appropriated \$9.01 million of federal medicaid funds to SRS and \$3.5 million of general fund medicaid match to DFS to fund this service during the 1993 biennium. HB 2 permits DFS to use a portion of the state medicaid match to establish less intensive, less costly alternatives to inpatient residential and hospital psychiatric treatment. At least \$1.3 million of the \$3.5 million appropriated to DFS must be reserved as state match for medicaid reimbursement for residential psychiatric services.

HB 993 requires that a youth's parents or guardians contribute toward the cost of out-of-home care provided by DFS. SRS is required to assist DFS in collecting these contributions. The legislature appropriated \$60,112 of state and federal revenue in HB 2 to SRS for these additional collection activities during the 1993 biennium.

SB 269, introduced at the request of the department, makes major revisions in the State Medical program operated by the state in the 12 counties for which the state has assumed welfare responsibilities. Services provided by this program under current law are the same as those provided under the medicaid program. This bill limits the types of services which will be provided under this program and specifically defines the types of persons to whom services will be provided. The bill also authorizes a system of managed care for recipients of state medical services. The legislature approved an Executive budget modification of \$300,000 in HB 2 to fund

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managed care. At the request of the Executive, the legislature reduced the HB 2 appropriation for state medical benefits by \$1.53 million during the 1993 biennium to reflect anticipated savings resulting from the implementation of managed care for state medical recipients.

SB 306 removes the restriction imposed by the 1989 legislature that a specific appropriation must be made before medicaid reimbursement may be provided for licensed professional counselors. The 1989 legislature authorized medicaid reimbursement for services provided by licensed professional counselors but required that a specific appropriation be made before the service could be reimbursed. Because the 1989 legislature did not specifically appropriate funding for this purpose, medicaid reimbursement has not been available for this service during the 1991 biennium. The bill's fiscal note states that funding this service during the 1993 biennium will cost \$320,902 (\$89,805 general fund). Although there was no specific appropriation made to fund this additional service in the 1993 biennium, the legislature inserted language in House Bill 2 which states that the department is not prohibited from implementing medicaid reimbursement for this service during the biennium. The additional costs for this service will be paid from the medicaid primary care appropriation.

SB 391, introduced at the request of the department, authorizes managed care and case management services for medicaid recipients. The legislature appropriated \$869,812 and authorized 1 FTE in HB 2 to fund managed care for medicaid recipients during the 1993 biennium and reduced the medicaid primary care benefit appropriation by \$2.5 million in fiscal 1993 to reflect anticipated savings resulting from implementation of managed care. (Because a federal waiver is required before this provision can be implemented, savings are not expected until the last year of the 1993 biennium.) The legislature appropriated \$3.04 million in federal medicaid funds (to be matched by state general fund in the Department of Institutions) for case management services to the mentally ill. Also appropriated in HB 2 was \$3.8 million in federal medicaid funds (to be matched by state general fund in DFS) for case management services to persons with developmental disabilities.

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Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	39.25	37.25	37.25	.00	37.25	37.25	.00	-2.00
Personal Services	986,112	1,185,129	1,137,724	47,405-	1,185,328	1,137,915	47,413-	15.37%
Operating Expenses	1,724,486	1,762,956	2,040,287	277,331	1,763,798	2,039,812	276,014	18.31%
Equipment	91,563	72,195	72,195	0	72,195	72,195	0	-21.15%
Benefits and Claims	54,224,648	59,951,995	60,704,576	752,581	59,787,997	62,814,835	3,026,838	11.95%
Transfers	1,176,715	0	777,897	777,897	0	777,897	777,897	-33.89%
Total Costs	\$58,203,524	\$62,972,275	\$64,732,679	\$1,760,404	\$62,809,318	\$66,842,654	\$4,033,336	11.22%
<u>Fund Sources</u>								
General Fund	14,951,872	15,594,925	15,988,247	393,322	15,474,452	16,553,041	1,078,589	6.93%
State Revenue Fund	702,303	717,632	753,506	35,874	714,614	788,471	73,857	7.29%
Federal Revenue Fund	42,549,349	46,659,718	47,990,926	1,331,208	46,620,252	49,501,142	2,880,890	12.79%
Total Funds	\$58,203,524	\$62,972,275	\$64,732,679	\$1,760,404	\$62,809,318	\$66,842,654	\$4,033,336	11.22%

Program Description

The Family Assistance Program is responsible for the coordination and management of Montana's public assistance programs. Program staff develop policy, coordinate with federal agencies, and provide administrative supervision of grant and benefit programs, including Aid to Families with Dependent Children (AFDC), General Assistance (GA), food stamps, and weatherization and Low-Income Energy Assistance Block Grants (LIEAP). The Family Assistance Program is statutorily authorized in Title 53, Chapter 2; Title 53, Chapter 3; Title 53, Chapter 4, Part 2; and Sections 53-4-101, and 53-6-133, MCA.

Language

"The department is authorized to retain 7.5 percent of the federal Community Services Block Grant and pass through the remaining 92.5 percent to the Human Resource Development Councils (HRDC). If, during fiscal 1992 or fiscal 1993, the Block Grant falls below the federal fiscal year 1990 grant level, the department shall retain only 5.0 percent and pass through the remaining 95.0 percent to the HRDC's."

"[Day-Care Rate Increase] is funding for rate increases to day care providers. Beginning October 1, 1991, the department shall increase day care provider rates up to 75 percent of the "local market rate". (the maximum allowed under federal regulations.) If

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federal regulations permit the use of funds from the new "Child Care and Development Block Grant" for these increases, the department shall decrease the general fund appropriations by the amount of block grant funds available."

"[AFDC/General Assistance at 42% of Federal Poverty Index] is additional funding to set AFDC and general assistance payment levels at 42% of the federal poverty index."

"The department may, beginning October 1, 1991, pay AFDC recipients a transition-to-work allowance. The allowance may be used for travel and relocation expenses of the recipient and family to another county or state. AFDC recipients are eligible to receive this allowance under rules adopted by the department. The rules may establish limitations on the amount to be paid and require that the recipient have verification of employment, an employment interview, or acceptance into an approved educational or training program. Expenses for a transition-to-work allowance may be paid from the appropriation for AFDC benefits."

Legislative Intent

Beginning July 1, 1991, the department may require at least one parent in an AFDC-unemployed parent household to participate in the community work experience program, other work experience, or on-the-job training programs (JOBS). Post-secondary level educational activities may not be substituted for work requirements. A parent under age 25 who has not completed high school or an equivalent course of education may be required to participate in secondary level education activities in lieu of one or more program requirements. Any alternative work or training programs must be approved by the department and funds may be transferred from AFDC benefits to cover job and training related expenditures of AFDC unemployed parent recipients in the JOBS program.

The department may pay general assistance recipients a transition-to-work allowance as provided in Section 53-3-325, MCA, from monies appropriated for general assistance payments.

Budget

The legislature approved the FTE levels requested by the executive which decrease 2 positions from the fiscal 1990 level due to: 1) 1.0 FTE eliminated as a result of agency reorganization; and 2) 1.0 FTE eliminated as the TEAMS project moves from the developmental to operational stage. Personal service expenditures increase 15.4 percent from fiscal 1990 to fiscal 1992 primarily due to: 1) vacancy savings occurring in fiscal 1990 in excess of that budgeted in the 1993 biennium; and 2) employee pay increases granted in fiscal 1991 which are continued in the 1993 biennium. (Funding appropriated in HB 509 for 1993 biennium pay increases is not included in the table.)

Operating expenses increase 18.3 percent from fiscal 1990 to fiscal 1992. However, approximately \$264,000 recorded as benefits in fiscal 1990 is moved to operations in the 1993 biennium to more accurately reflect the purpose of the expenditures. When adjusted for this accounting change, operating expenses in the 1993 biennium increase approximately \$51,000 per year above the fiscal 1990 level. Equipment was approved as requested by the executive and decreases approximately \$19,000 per year below the fiscal 1990 expenditure level.

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Most expenditures in this program are for benefits. Table 6 shows 1993 biennium legislative appropriations for benefits by type and the average annual increase between fiscal 1990 and fiscal 1993. Table 7 shows the same information for general fund appropriations.

Table 6
1993 Biennium Benefit Appropriations

Benefit Type	Fiscal 1990	Fiscal 1992	FY92 Over(Under) FY90	Fiscal 1993	FY93 Over(Under) FY90	Annual Change FY90-FY93
AFDC	\$38,218,044	\$40,951,363	\$2,733,319	\$42,851,677	\$4,633,633	3.89%
LIEAP	7,949,382	7,388,100	(561,282)	7,388,100	(561,282)	-2.41%
General Assistance	2,973,159	2,491,619	(481,540)	2,614,835	(358,324)	-4.19%
Weatherization	1,758,205	2,387,738	629,533	2,387,738	629,533	10.74%
General Assistance Work	307,064	751,776	444,712	751,776	444,712	34.78%
Community Services Grants	1,079,235	1,473,836	394,601	1,473,836	394,601	10.95%
Homeless Grants	102,409	81,000	(21,409)	81,000	(21,409)	-7.52%
Emergency Shelter	59,022	170,000	110,978	170,000	110,978	42.28%
AFDC Day Care	1,287,323	2,201,406	914,083	2,288,135	1,000,812	21.13%
General Assistance Burials	145,285	123,620	(21,665)	123,620	(21,665)	-5.24%
JOBS/Food Stamp Job Search		2,684,118	2,684,118	2,684,118	2,684,118	NA
Other*	345,520		(345,520)		(345,520)	NA
Total Benefits	\$54,224,648	\$60,704,576	\$6,479,928	\$62,814,835	\$8,590,187	5.02%

*\$264,000 of this amount moved to operations in the 1993 biennium to more accurately record purpose of expenditure.

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Table 7
1993 Biennium General Fund Benefit Appropriations

<u>Benefit Type</u>	<u>Fiscal 1990</u>	<u>Fiscal 1992</u>	<u>FY92 Over(Under) FY90</u>	<u>Fiscal 1993</u>	<u>FY93 Over(Under) FY90</u>	<u>Annual Change FY90-FY93</u>
AFDC	\$10,330,310	\$10,831,635	\$501,326	\$11,252,850	\$922,541	2.89%
General Assistance	2,973,159	2,491,619	(481,540)	2,614,835	(358,324)	-4.19%
General Assistance Work	271,632	388,388	116,756	388,388	116,756	12.66%
AFDC Day Care	365,434	622,778	257,344	642,965	277,531	20.72%
General Assistance Burials	145,285	123,620	(21,665)	123,620	(21,665)	-5.24%
JOBS/Food Stamps Job Search		753,117	753,117	753,117	753,117	NA
Other*	121,531		(121,531)		(121,531)	NA
Total	\$14,207,349	\$15,211,157	\$1,003,808	\$15,775,775	\$1,568,426	3.55%

A brief description of each benefit funded by the legislature is listed below.

AFDC/Day Care - The Aid to Families with Dependent Children program (AFDC) is a federal program (funded with both federal and state funds) designed to meet the basic financial needs of low income families who have dependent children. AFDC eligibility automatically entitles the family to medicaid benefits. Day care assistance is provided to AFDC recipients who participate in approved employment related activities. Federal financial participation in these programs is 71.71 percent in fiscal 1992 and 71.9 percent in fiscal 1993.

LIEAP - The Low Income Energy Assistance program (LIEAP) is a federally funded program designed to assist persons earning less than 125.0 percent of the federal poverty level with payment of utility bills. The department estimates that 22,000 households will be assisted each year. In addition to the amounts shown in the benefit table, House Bill 10 appropriates \$100,000 of oil overcharge funds to the department for assisting persons who are not eligible for this program but whose income is less than 150.0 percent of the federal poverty index.

General Assistance/Burials - The General Assistance program (GA) is operated by the state in the 12 counties for which the state has assumed welfare responsibilities. State general fund monies are used to provide financial assistance to eligible persons residing in the 12 counties and to pay for burials of deceased eligible persons in the assumed counties.

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Weatherization - This federally funded program is designed to help low income persons reduce their home heating costs, while conserving natural resources. In addition to the amounts shown in the benefit table, House Bill 10 appropriates \$1.15 million of oil overcharge funds to the department for use in the weatherization program.

General Assistance Work - This program was authorized by the 1989 legislature in Senate Bill 128 to initiate, promote, and develop job search, training and work activities for GA recipients. Participation is mandatory for all nonexempt GA recipients in state-assumed welfare counties.

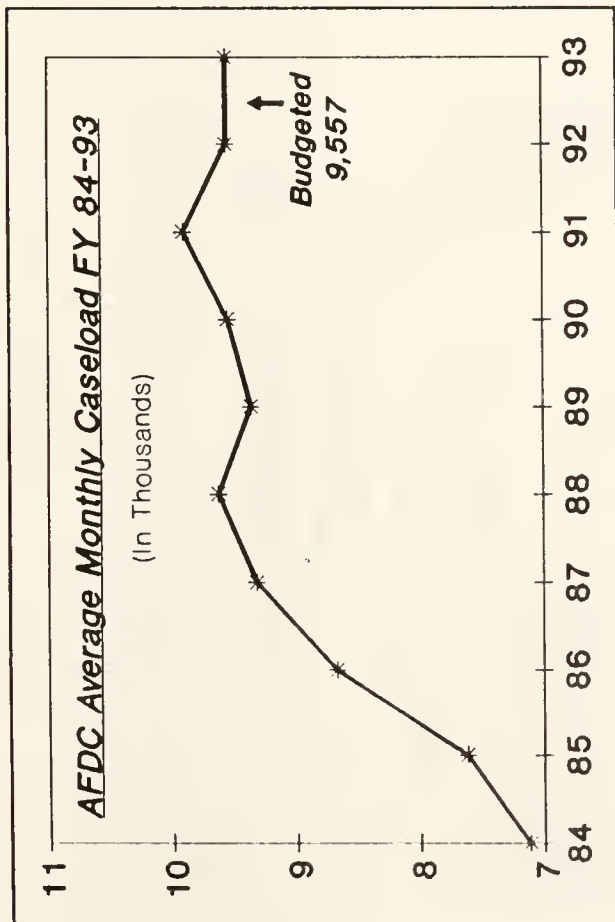
Community Services Block Grant - This federally funded program is designed to alleviate the causes of poverty in local communities. The state's Human Resource Development Councils (HRDC's) develop and implement antipoverty strategies.

Homeless Grants\Emergency Shelter - These federally funded programs are designed to prevent homelessness and to assist individuals in obtaining needed services. The programs are locally designed and operated by HRDC's.

JOBS/Food Stamp Job Search - The federal Family Support Act of 1988 requires the state to operate a Job Opportunities and Basic Skills (JOBS) program. The program has been implemented in selected counties during the 1991 biennium. The Food Stamp Job Search program is a federally mandated employment and training program for food stamp recipients. The program is federally funded except for a \$25 monthly payment by the state to each recipient for supportive services.

Total benefits appropriations increase \$6.48 million in fiscal 1992 and \$8.59 million in fiscal 1993 above the fiscal 1990 level, while general fund benefit appropriations increase \$1.00 million and \$1.57 million respectively. Major factors contributing to this increase are: 1) increased AFDC and day care caseloads; 2) increased payment levels for AFDC and General Assistance recipients; 3) day care rate increases; 4) and legislative approval of an executive budget modification to implement the JOBS program statewide. AFDC day care costs increase over fiscal 1990 due to increased AFDC caseloads and full state-wide implementation of the JOBS program. The general assistance job search, training, and work program (Senate Bill 128 passed by the 1989 legislature) increase reflects full implementation of the act's provisions during the 1993 biennium. (The major provisions of the act were not effective until January 1990). Benefits funded solely with federal funds are, for the most part, continued at the fiscal 1991 appropriated level, except for the Community Service Block Grants which increase significantly. Transfers (funds transferred to the state Department of Labor and Industry for job search and training assistance on behalf of welfare recipients) decrease slightly from the fiscal 1990 level due to one-time transfers made in 1990 which will not occur during the 1993 biennium.

FAMILY ASSISTANCE



The graph at left shows the average monthly AFDC caseload by fiscal year from fiscal 1984 through the budgeted level for the 1993 biennium. Monthly average caseloads increased from 7,118 in fiscal 1984 to 9,628 in fiscal 1988 at which time they began to decline. Partially as a result of a projected decline in caseloads, the 1989 legislature funded AFDC average monthly caseloads of 9,100 and 9,000 respectively during the 1991 biennium. Because actual caseloads were significantly above the estimate upon which the appropriation was based, the 1991 legislature provided a supplemental appropriation of \$5.51 million for AFDC benefits in House Bill 3.

AFDC current level caseload estimates for the 1993 biennium are 9,850 each year. However, the legislature reduced caseload funding to 9,557 based on the department's estimate that state-wide implementation of the JOBS program approved as a budget modification would reduce caseloads by 293. AFDC benefit funding was further reduced based on the department's estimate that the implementation of the TEAMS computer system would reduce average monthly benefit costs by \$1.92 in fiscal 1992 and \$3.35 in fiscal 1993. If the expanded JOBS program does not reduce caseloads as anticipated and/or the TEAMS system is not successful in lowering the average monthly payment levels, the appropriations for AFDC benefits in the 1993 biennium may also be inadequate.

The 1991 legislature required that AFDC and General Assistance benefit payments be set at 42 percent of the federal poverty index which is estimated to increase approximately 5 percent each year of the 1993 biennium. Table 8 shows the calculations used by the legislature to establish funding for AFDC and General Assistance benefits.

FAMILY ASSISTANCE

Table 8
AFDC/General Assistance Benefit Funding Calculations

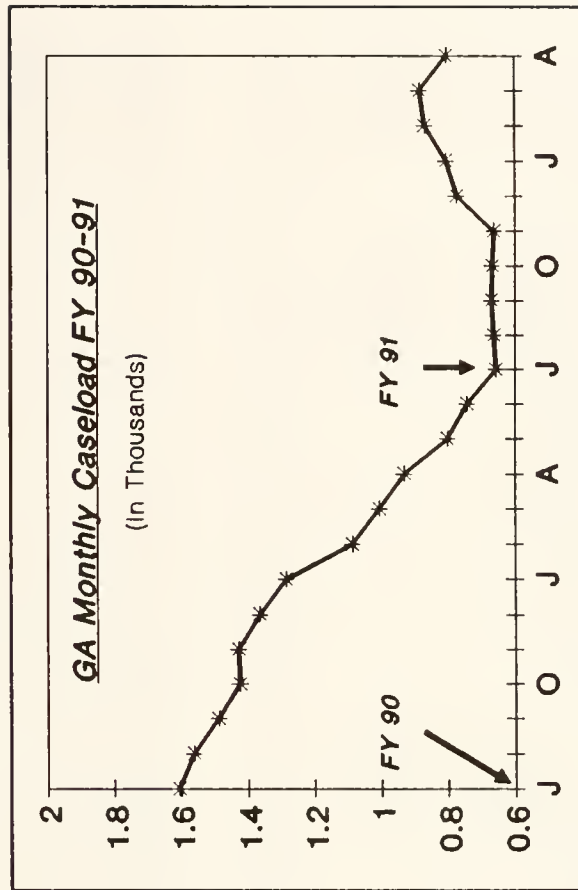
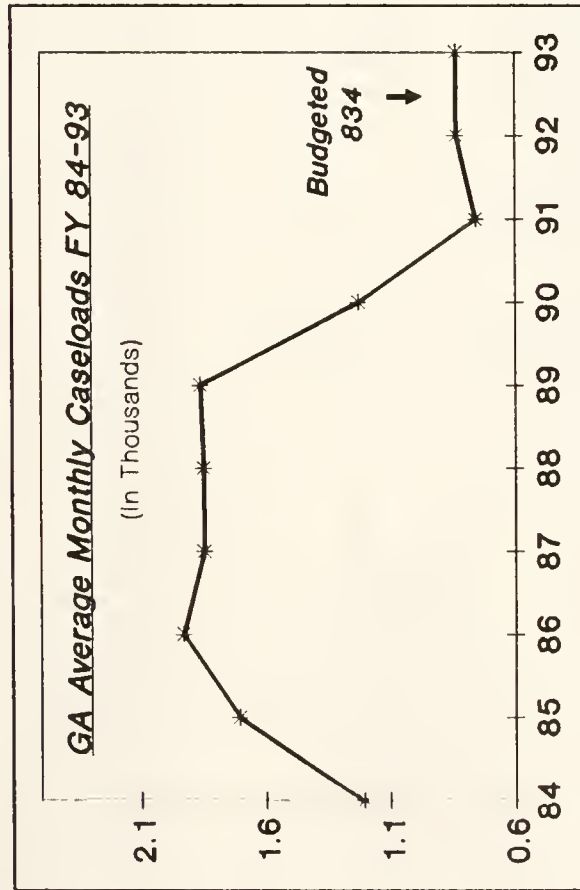
	AFDC		GA	
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993
LFA/OBPP average monthly base caseloads	9,850	9,850	834	834
JOBS caseloads reductions	(293)	(293)		
Adjusted average monthly caseloads	9,557	9,557	834	834
Average monthly payment	\$342.00	\$342.00	\$233.78	\$233.78
TEAMS payment reduction	(1.92)	(3.35)		
Adjusted average monthly payments	340.08	338.65		
Payments @ 42% of federal poverty index	357.08	373.65	245.63	257.94
Total AFDC/GA benefits	\$40,951,363	\$42,851,677	\$2,491,619*	\$2,614,835*

*Includes \$33,000 for non-resident general assistance.

The 834 average monthly GA caseload funded for the 1993 biennium is significantly below the level set for the 1991 biennium by the 1989 legislature. Caseloads funded for the 1991 biennium were 1,860 and 1,912 for fiscal years 1990 and 1991 respectively. The department reverted \$1.75 million of the GA benefit appropriation in fiscal 1990. Approximately \$3.00 million would have been reverted in fiscal 1991, except the 1991 legislature permitted the department to apply the unexpended amount of the GA appropriation against supplemental appropriations requested for other programs in House Bill 3. The significant reduction in GA caseloads is largely due to legislation enacted by the 1989 legislature.

FAMILY ASSISTANCE

The graph at left below shows the average monthly GA caseload for each year from fiscal 1984 through the budgeted level for the 1993 biennium. Caseloads increased from 1,206 in fiscal 1984 to 1,860 in fiscal 1989 at which time they began to decrease due to action taken by the 1989 legislature. The graph at right below depicts the actual decline in GA caseloads by month from the beginning of fiscal 1990 through April, 1991. Caseloads were at 1,606 when fiscal 1990 began but declined to 656 by the beginning of fiscal 1991. From July through November of fiscal 1991, monthly caseloads averaged only 664. The increase shown in the graph from December through March is fairly typical of increases in caseloads during the winter months of each year.



FAMILY ASSISTANCE

Budget Modifications

Modification Type	-----Executive-----			-----Legislature-----		
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93
1) Food Stamp Empl & Training				\$ 192,000		
2) Day Care Rate Increase						\$ 90,954
3) Food Stamp Job Search			\$ 87,500	87,500		87,500
4) Statewide JOBS program			1,706,734	5,280,736		1,418,734
5) AFDC/GA at 42% of poverty						1,737,353
Total Modifications	0.00	0.00	\$1,794,234	\$5,560,236	0.00	\$3,334,541
						\$11,475,449
						<u>Legislative Action Over Executive = \$1,540,307</u>
						\$ 5,915,213

1) Food Stamp Employment and Training - Federal incentive funding is available to Montana based on the number of placements made in the Food Stamp Job Search program. The department received \$96,000 in incentive funding during federal fiscal 1990. The legislature appropriated \$192,000 of federal incentive funding during the 1993 biennium.

2) Day Care Rate Increase - Effective October 1, 1991, family and group day care providers will receive increases of \$1 per day, while day care centers receive an increase of \$0.50 per day. In fiscal 1993, family day care providers will receive an additional \$0.75 per day, while group care providers receive an additional \$0.25 per day. These increases will raise all provider rates to 75.0 percent of the local market rate. If federal regulations permit the use of funds from the new "child care and development block grant" for these increases, the general fund appropriation must be decreased by the amount of block grant available.

3) Food Stamp Job Search Support - The Food Stamp Job Search program is a federally mandated employment and training program for food stamp recipients. The program is federally funded except for a \$25 monthly payment by the state to each recipient for supportive services. The legislature appropriated \$87,500 in general fund during the 1993 biennium to provide supportive services to food stamp recipients.

4) Statewide JOBS Program - The federal Family Support Act of 1988 requires the state to operate a Job Opportunities and Basic Skills (JOBS) program. The program has been implemented in selected counties during the 1991 biennium. The legislature appropriated \$5,280,736 (\$1,418,734 general fund) to implement the program statewide during the 1993 biennium.

FAMILY ASSISTANCE

5) AFDC/GA Payments At 42 Percent Of Poverty - Additional funds of \$5.59 million (\$1.74 million general fund) were appropriated to maintain AFDC and General Assistance payments at 42 percent of the federal poverty index which is estimated to increase approximately 5 percent per year.

Funding

This program is funded by a mix of general fund, state revenue (county funds), and federal funds. General assistance benefits and burials are funded with 100 percent general fund, while the federal government participates in AFDC benefits and day care at 71.71 percent in fiscal 1992 and 71.9 percent in fiscal 1993. Total funding increases \$6.53 million in fiscal 1992 and \$8.64 million in fiscal 1993 above the fiscal 1990 level. General fund increases at an annual rate of 3.45 percent from fiscal 1990 to fiscal 1993, while federal funds increase 5.17 percent annually during the same period. Table 9 shows 1993 biennium funding by type and the annual percentage increase between fiscal 1990 and fiscal 1993.

FAMILY ASSISTANCE

Table 9
1993 Biennium Funding Sources

<u>Fund Type</u>	<u>Fiscal 1990</u>	<u>Fiscal 1992</u>	<u>FY92 Over (Under) FY90</u>	<u>Fiscal 1993</u>	<u>FY93 Over (Under) FY90</u>	<u>Annual Change FY90-FY93</u>
General Fund	\$14,951,872	\$15,988,247	\$1,036,375	\$16,553,041	\$1,601,169	3.45%
State Revenue Fund	702,303	753,506	51,203	788,471	86,168	3.93%
Federal Revenue Fund	<u>42,549,349</u>	<u>47,990,926</u>	<u>5,441,577</u>	<u>49,501,142</u>	<u>6,951,793</u>	<u>5.17%</u>
Total Funds	\$58,203,524	\$64,732,679	\$6,529,155	\$66,842,654	\$8,639,130	4.72%

ELIGIBILITY DETERMINATION PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	406.90	403.40	403.40	.00	403.40	403.40	.00	-3.50
Personal Services	8,697,641	9,634,017	9,248,656	385,361-	9,623,670	9,238,723	384,947-	6.34%
Operating Expenses	<u>169,186</u>	<u>143,533</u>	<u>175,987</u>	<u>32,454</u>	<u>143,646</u>	<u>175,985</u>	<u>32,339</u>	<u>4.02%</u>
Total Costs	\$8,866,827	\$9,777,550	\$9,424,643	\$352,907-	\$9,767,316	\$9,414,708	\$352,608-	6.29%
<u>Fund Sources</u>								
General Fund	2,244,713	2,551,385	2,463,835	87,550-	2,564,587	2,461,200	103,387-	9.76%
State Revenue Fund	2,186,855	2,528,672	2,436,980	91,692-	2,526,041	2,434,448	91,593-	11.44%
Federal Revenue Fund	<u>4,435,259</u>	<u>4,697,493</u>	<u>4,523,828</u>	<u>173,665-</u>	<u>4,676,688</u>	<u>4,519,060</u>	<u>157,628-</u>	<u>2.00%</u>
Total Funds	\$8,866,827	\$9,777,550	\$9,424,643	\$352,907-	\$9,767,316	\$9,414,708	\$352,608-	6.29%

Program Description

The Eligibility Determination program is responsible for determining initial and on-going recipient eligibility for benefit programs, including AFDC, medicaid, food stamps, energy assistance, and state and county financial and medical assistance. The program includes funding for county welfare eligibility and clerical staff and for county welfare directors' salaries and travel.

Budget

The legislature approved the FTE levels requested by the Executive which decrease 3.5 FTE from the fiscal 1990 level. These positions are eliminated as the TEAMS project moves from the developmental to operational stage. Personal service expenditures increase 6.3 percent from fiscal 1990 to fiscal 1992 primarily due to: 1) vacancy savings occurring in fiscal 1990 in excess of that budgeted during the 1993 biennium; and 2) employee pay increases granted in fiscal 1991 that continue in the 1993 biennium. (Funding appropriated in HB 509 for 1993 biennium pay increases is not included in the table.)

Operating expenses increase 4.0 percent from fiscal 1990 to fiscal 1992 (or approximately \$6,800 per year above the fiscal 1990 level) due to inflationary adjustments.

ELIGIBILITY DETERMINATION PROGRAM

Funding

This program is funded by a combination of general fund, state revenue (reimbursement from non-assumed counties), and federal funds (a mixture of food stamps, welfare, and medicaid funding). Charges are assessed against each funding source based on the Random Moment Time Study conducted by the agency. The legislature appropriated the funding mix submitted by the agency.

ADMINISTRATIVE & SUPPORT SERVICES

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	53.00	50.50	50.50	.00	50.50	50.50	.00	-2.50
Personal Services	1,376,604	1,441,812	1,384,176	57,636-	1,440,658	1,383,068	57,590-	.55%
Operating Expenses	964,448	1,084,092	1,221,767	137,675	1,090,001	1,079,275	10,726-	26.68%
Equipment	42,858	30,464	30,464	0	30,464	30,464	0	-28.92%
Total Costs	\$2,383,910	\$2,556,368	\$2,636,407	\$80,039	\$2,561,123	\$2,492,807	\$68,316-	10.59%
<u>Fund Sources</u>								
General Fund	733,344	666,284	696,736	30,452	666,022	628,125	37,897-	-4.99%
State Revenue Fund	194,021	211,352	324,771	113,419	212,388	319,871	107,483	67.39%
Federal Revenue Fund	1,388,302	1,575,506	1,614,899	39,393	1,579,344	1,544,810	34,534-	16.32%
Proprietary Fund	68,243	103,226	1	103,225-	103,369	1	103,368-	-100.00%
Total Funds	\$2,383,910	\$2,556,368	\$2,636,407	\$80,039	\$2,561,123	\$2,492,807	\$68,316-	10.59%

Program Description

The Administration and Support Service program, comprised of the Director's Office and the Support Services Division, is responsible for providing the agency's overall direction for policy development, budgeting, and for coordinating the various human services programs. The administrative organization of the department is established in Sections 2-15-112, 2-15-2201, and 53-2-201, MCA.

Language

"House Bill No. 903 requires the department to transfer [to the general fund] all money in the federal special revenue account (number 03143) associated with the former department of community affairs grant closeouts reported in the April 1990 Legislative audit report. If House Bill No. 903 is passed and approved and a subsequent reconciliation of this account concludes that any of the funds transferred from the account to the general fund belong to the federal government, the department may request a general fund supplemental appropriation to repay the federal funds." (House Bill 903, which was signed into law, appropriates \$420,000 general fund and \$200,000 federal funds to the Supreme Court for automation projects.)

ADMINISTRATIVE & SUPPORT SERVICES

Budget

The legislature approved the FTE levels requested by the Executive which decrease 2.5 positions from the fiscal 1990 level due to agency reorganization. Personal service expenditures increase less than 1.0 percent from fiscal 1990 to fiscal 1992. Personal services savings resulting from reduced FTE levels are offset by: 1) vacancy savings occurring in fiscal 1990 in excess of that budgeted during the 1993 biennium; and 2) employee pay increases granted in fiscal 1991 and continued in the 1993 biennium. (Funding appropriated in HB 509 for 1993 biennium pay increases is not included in the table.)

Operating expenses increase 26.7 percent from fiscal 1990 to fiscal 1992. Major factors contributing to this increase are: 1) inflationary increases of approximately \$35,000; 2) inclusion in this program of all insurance and bond costs which were paid in various other programs in fiscal 1990 (an increase of approximately \$68,000); 3) a biennial appropriation in fiscal 1992 for legislative audit costs during the 1993 biennium (an increase of approximately \$103,000); 4) a \$16,000 increase in statewide indirect costs; and 5) an additional \$45,000 each year of the biennium for contracted grant-writing services. These increases are offset slightly by the elimination of one-time contracted service expenditures in fiscal 1990. Operating costs decrease from fiscal 1992 to fiscal 1993 because of the biennial legislative audit appropriation in fiscal 1992. The legislature approved the Executive equipment request.

Funding

This program is funded by a combination of general fund, state revenue (reimbursement from non-assumed counties and child support enforcement funds), and federal funds (a mixture of food stamps, welfare, vocational rehabilitation, and LIEAP funding). Child support enforcement funds recorded in a proprietary account in fiscal 1990 are appropriated in a state special revenue account during the 1993 biennium. An indirect cost allocation plan approved by the federal government is used to determine appropriate funding percentages. The legislature appropriated the funding mix submitted by the agency.

CHILD SUPPORT ENFORCEMENT

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	101.00	116.00	116.00	.00	116.00	116.00	.00	15.00
Personal Services	1,589,263	2,785,928	2,674,491	111,437-	2,781,446	2,670,188	111,258-	68.28%
Operating Expenses	655,785	1,281,474	1,311,311	29,837	1,324,888	1,355,163	30,275	99.96%
Equipment	350,097	51,765	51,765	0	6,329	6,329	0	-85.22%
Local Assistance	11,168	35,000	35,000	0	35,000	35,000	0	213.40%
Total Costs	\$2,606,313	\$4,154,167	\$4,072,567	\$81,600-	\$4,147,663	\$4,066,680	\$80,983-	56.26%
<u>Fund Sources</u>								
State Revenue Fund	0	0	1,362,908	1,362,908	0	1,354,494	1,354,494	.00%
Federal Revenue Fund	1,714,929	2,764,176	2,709,659	54,517-	2,766,493	2,712,186	54,307-	58.00%
Proprietary Fund	891,384	1,389,991	0	1,389,991-	1,381,170	0	1,381,170-	-100.00%
Total Funds	\$2,606,313	\$4,154,167	\$4,072,567	\$81,600-	\$4,147,663	\$4,066,680	\$80,983-	56.26%

Program Description

The Child Support Enforcement Program is responsible for establishing, enforcing, and collecting financial support owed by absent parents. Program staff locate absent parents, identify assets, establish paternity, and ensure that absent parents maintain medical health insurance coverage for their dependent children. Activities carried out by program staff are authorized in Title 40, Chapter 5, Part 2, MCA.

Language

"The state share of the AFDC-related support collections and all AFDC and non-AFDC federal incentive payments must be deposited in a state special revenue account from which the state's share of the administrative and operational costs of the child support enforcement program must be paid. The legislature intends that, during the 1993 biennium, the department collect \$1.25 for each \$1.00 expended for administrative and operational costs from the account. Expenditures made from the account for state Medicaid match or development of the SEARCHS computer project are not considered administrative or operational expenditures for purposes of this requirement. Any cash fund balance in excess of \$500,000 in the state special revenue account at the end of each fiscal year shall be deposited in the state general fund."

CHILD SUPPORT ENFORCEMENT

Budget

The 1989 legislature transferred this program with 51.0 FTE from the Department of Revenue in fiscal 1990 and authorized the department to hire an additional 55.0 FTE in fiscal 1990 (106.0 FTE total) and 15.0 more FTE in fiscal 1991 (121.0 FTE total). As part of an agency reorganization during the 1991 biennium, 5.0 of the authorized 121.0 FTE were transferred to other programs to perform support activities. The 1991 legislature approved the continuation of all FTE authorized by the 1989 legislature. Personal service expenditures increase 68.3 percent from fiscal 1990 to fiscal 1992. Major factors contributing to this increase are: 1) the funding of 15.0 additional FTE above the 1990 level; 2) the program began operating in fiscal 1990 with only 51.0 FTE transferred from the Department of Revenue; and 3) position upgrades approved during the 1991 biennium. (Funding appropriated in HB 509 for 1993 biennium pay increases is not included in the table.)

Operating expenses increase 100.0 percent from fiscal 1990 to fiscal 1992 reflecting operations of the program at full capacity during the 1993 biennium and legislative approval of an Executive budget modification to contract for additional administrative and clerical assistance. Equipment was approved as requested by the Executive. Local assistance appropriations are federal funds contracted to local county attorneys for child support enforcement activities.

Budget Modification

Modification Type	-----Executive-----			-----Legislative-----		
	FTE FY92	FTE FY93	General Fund 92-93	FTE FY92	FTE FY93	General Fund 92-93
Contracted Employees	0.0	0.0	\$0	0.0	0.0	\$0
			\$753,279			\$813,391
Legislative Action Over Executive = \$ 60,112						

Contracted Employees - The legislature appropriated \$813,391 during the 1993 biennium to contract for additional administrative and clerical assistance in this program. An Executive budget modification of \$753,279 was approved as well as an additional \$60,112 to cover the costs of additional child support enforcement activities required by HB 993. The funding consists of \$536,837 in federal funds and \$276,554 from the child support enforcement state revenue account.

CHILD SUPPORT ENFORCEMENT

Funding

This program is funded by a combination of federal funds and collections from child support enforcement activities which were recorded in a proprietary account in fiscal 1990 but are appropriated in a state special revenue account during the 1993 biennium. Federal funds support approximately 66.0 percent of this program.

STATE ASSUMED COUNTY ADMINISTRATION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	.00	.00	.00	.00	.00	.00	.00	.00
Operating Expenses	1,060,855	988,097	1,090,710	102,613	989,984	1,091,372	101,388	2.81%
Equipment	19,249	16,019	16,019	0	16,019	16,019	0	-16.78%
Total Costs	\$1,080,104	\$1,004,116	\$1,106,729	\$102,613	\$1,006,003	\$1,107,391	\$101,388	2.47%
<u>Fund Sources</u>								
General Fund	637,682	549,950	606,151	56,201	551,097	606,639	55,542	-4.95%
Federal Revenue Fund	442,422	454,166	500,578	46,412	454,906	500,752	45,846	13.14%
Total Funds	\$1,080,104	\$1,004,116	\$1,106,729	\$102,613	\$1,006,003	\$1,107,391	\$101,388	2.47%

Program Description

The State Assumed County Administration Program funds the majority of operating and equipment costs associated with the administration of welfare programs in the 12 counties in which the state has assumed responsibility for county welfare programs. Personal services, benefits, and the remaining operational costs are provided for within other department programs.

Budget

Operating expenses increase 2.8 percent from fiscal 1990 to fiscal 1992 (or approximately \$30,000 per year) primarily due to inflation and increased building rent in the 12 assumed counties. The Executive equipment request was approved.

Funding

This program is funded by a combination of general fund and federal funds (a mixture of food stamps, welfare, and medicaid administrative funding). The legislature appropriated the funding mix submitted by the agency.

MEDICAL ASSISTANCE

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	41.99	43.50	44.50	1.00	43.50	44.50	1.00	2.51
Personal Services	1,017,583	1,380,235	1,355,127	25,108-	1,378,243	1,353,145	25,098-	33.17%
Operating Expenses	2,573,229	3,920,196	4,054,220	134,024	3,423,849	3,560,207	136,358	57.55%
Equipment	79,472	15,198	19,198	4,000	3,198	3,198	0	-75.84%
Benefits and Claims	183,780,182	243,282,655	245,790,471	2,507,816	265,680,013	265,223,626	456,387-	33.74%
Transfers	0	1,908,791	1,908,791	0	1,926,674	1,926,674	0	.00%
Total Costs	\$187,450,466	\$250,507,075	\$253,127,807	\$2,620,732	\$272,411,977	\$272,066,850	\$ 345,127-	35.04%
Fund Sources								
General Fund	48,887,272	58,182,684	58,331,270	148,586	63,936,305	63,178,400	757,905-	19.32%
State Revenue Fund	6,906,998	7,539,000	7,724,929	185,929	7,647,000	7,975,494	328,494	11.84%
Federal Revenue Fund	131,656,196	184,599,462	187,071,608	2,472,146	200,500,178	200,912,956	412,778	42.09%
Proprietary Fund	0	185,929	0	185,929-	328,494	0	328,494-	.00%
Total Funds	\$187,450,466	\$250,507,075	\$253,127,807	\$2,620,732	\$272,411,977	\$272,066,850	\$ 345,127-	35.04%

Program Description

The Medical Assistance program is responsible for administering the Medicaid and State Medical programs. The Medicaid program, administered under federal regulations, serves persons who qualify for financial assistance under federal programs. The State Medical program, administered under state regulations in 12 counties, serves persons who are ineligible for Medicaid benefits, but who do not have adequate financial resources to pay their medical bills. Statutory authority for the program is provided in Title 53, Chapter 6, MCA.

Language

"The department is authorized to transfer funds among appropriations for Medicaid primary care, Medicaid nursing care, Medicare buy-in, state medical, and the home and community-based waiver program. Except as provided below, funds transferred to the Medicaid waiver program may not be used to increase the number of recipients receiving waiver services but must be used solely for covering cost increases above the appropriated level."

"The department may utilize funds appropriated for Medicaid nursing care to increase the number of recipients in the home and community-based waiver program during the 1993 biennium under the following conditions:

MEDICAL ASSISTANCE

- (1) During the 1993 biennium, no more than 25 nursing residents who are appropriate for waiver services may be transferred from nursing facilities to the waiver program.
- (2) Per diem waiver costs for residents moved from nursing facilities may not exceed the state-wide average medicaid per diem cost of intermediate nursing care.
- (3) The department shall keep records of each resident transferred under this provision and submit to the 53rd Legislature a report on the number of residents transferred and any cost savings achieved as a result of the transfers."

"The Legislature intends that expenditures for all Executive budget modifications for provider rate increases approved by the Legislature be limited to dollar amounts appropriated rather than percentage increases on which the original estimates may have been based. The department will be in compliance with this provision if:

- (1) it estimates total costs for each medicaid service category in June, prior to the beginning of each fiscal year of the 1993 biennium; and
- (2) the percentage increases or base adjustments approved by the department are limited to the dollar amount appropriated for each budget modification."

"The department may not expand or reduce the amount, scope, or duration of benefits provided to recipients under the medicaid primary care or nursing care programs during the 1993 biennium unless Title XIX of the federal Social Security Act is amended to require expansion or reduction of benefits as a condition of the state receiving federal financial participation. This provision may not be construed to prohibit the department from implementing coverage provided in 53-6-101(3)(1)."

"The appropriation in [Federal Medicaid Reimbursement for State Institutions] is contingent on passage and approval of House Bill No. 93."

"The rate increases in [Nursing Home Rate Rebase] and [Increase Ob/Gyn/Ped Physicians' Rates] are funded beginning October 1, 1991. The rate increase in [Hospital Rate Rebase] is funded beginning October 1, 1992."

Legislative Intent

The department is authorized to eliminate medicaid coverage for AFDC-related "medically needy" caretaker relatives who are not eligible for medicaid coverage under the "categorically needy" program. Caretaker relatives are parents, aunts, uncles, adult sisters or brothers, or grandparents who are responsible for medicaid-eligible dependents but whose income and resources exceed the standards for the "categorically needy".

Funds appropriated to the department for medicaid inpatient psychiatric hospital and residential treatment are federal medicaid matching funds only. All state general fund medicaid match for these services is appropriated to the Department of Family Services.

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Budget

The legislature approved FTE levels which increase 2.5 FTE above the fiscal 1990 level. This increase is the net result of: 1) 1.5 FTE reduced due to agency reorganization; 2) 3.0 FTE added for Executive budget modifications; and 1.0 FTE added to implement Senate Bill 391 which was introduced at the request of the department. Personal service expenditures increase 33.2 percent from fiscal 1990 to fiscal 1992 due to: 1) vacancy savings occurring in fiscal 1990 in excess of that budgeted in the 1993 biennium; 2) employee pay increases granted in fiscal 1991 are continued in the 1993 biennium; and 3) the addition of 2.5 FTE above the fiscal 1990 level. (Funding appropriated in HB 509 for 1993 biennium pay increases is not included in the table.)

Operating expenses increase 57.6 percent from fiscal 1990 to fiscal 1992 primarily due to legislative approval of several Executive budget modifications for contracted services. Equipment was approved as requested by the Executive.

Table 10 shows 1993 biennium legislative appropriations for benefits by type and the average annual percentage increases between fiscal 1990 and fiscal 1993. Table 11 shows the same information for general fund appropriations.

Table 10
1993 Biennium Benefit Appropriations

Benefit Type	Fiscal 1990	Fiscal 1992	FY92 Over (Under) FY90	Fiscal 1993	FY93 Over (Under) FY90	Annual Change FY90-FY93
Medicaid Primary Care*	\$103,905,881	\$149,940,331	\$46,034,450	\$162,390,023	\$58,484,142	16.05%
Medicaid Nursing Care	53,955,000	68,263,734	14,308,734	75,030,435	21,075,435	11.62%
Medicare Buy-In	4,337,485	5,178,800	841,315	5,697,000	1,359,515	9.51%
Medicaid Waiver	4,720,793	5,248,422	527,629	5,351,420	630,627	4.27%
Institutional Reimbursement	10,103,908	11,098,590	994,682	10,645,370	541,462	1.76%
Indian Health	1,025,842	4,000,000	2,974,158	4,000,000	2,974,158	57.40%
State Medical	5,642,113	2,060,594	(3,581,519)	2,109,378	(3,532,735)	-27.96%
DHES Surveys**	89,160		(89,160)		(89,160)	NA
Total Benefits	\$183,780,182	\$245,790,471	\$62,010,289	\$265,223,626	\$81,443,444	13.01%

* General fund Medicaid match for inpatient psychiatric appropriated to DFS (\$4.2 million-FY92, \$4.4 million-FY93).

**Appropriated directly to the Department of Health and Environmental Sciences in the 1993 biennium.

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Table 11
1993 Biennium General Fund Benefit Appropriations

Benefit Type	Fiscal 1990	Fiscal 1992	FY92 Over(Under) FY90	Fiscal 1993	FY93 Over(Under) FY90	Annual Change FY90-FY93
Medicaid Primary Care*	\$23,032,730	\$30,801,050	\$7,768,320	\$33,649,785	\$10,617,055	13.47%
Medicaid Nursing Care	15,263,870	19,311,810	\$4,047,940	21,083,552	5,819,682	11.37%
Medicare Buy-In	2,254,577	2,485,824	\$231,247	2,734,560	479,983	6.65%
Medicaid Waiver	1,389,782	1,484,777	\$94,995	1,503,749	113,967	2.66%
State Medical	5,642,113	2,060,594	(\$3,581,519)	2,109,378	(3,532,735)	-27.96%
Total Benefits	\$47,583,072	\$56,144,055	\$8,560,983	\$61,081,024	\$13,497,952	8.68%
*Does not include general fund medicaid match for inpatient psychiatric treatment (\$4.2 million-FY92, \$4.4 million-FY93)						

A brief description of each benefit funded by the legislature is listed below.

Medicaid Primary Care - This component of the federal medicaid program provides reimbursement to many categories of medicaid providers, including hospitals, physicians, dentists, pharmacists, other licensed practitioners, personal care providers, and community mental health centers.

Medicaid Nursing Care - Medicaid reimbursement is available to nursing facilities for providing services to medicaid recipients. There are currently 95 licensed non-state nursing facilities located in 53 counties in Montana. Medicaid pays for approximately 62.0 percent of all nursing home services, private payers pay approximately 31 percent, and medicare and/or other third party sources pay the remainder. For accounting purpose, nursing homes operated by the state, such as the Center for the Aged, Montana Veterans' Home, and Montana State Hospital are not included in this category.

Medicare Buy-in - The Montana medicaid program pays for Medicare Part B premiums for medicaid-eligible persons who are 65 years of age or older. Medicare (federal funds) then pays for 80 percent of their medical expenses, leaving a liability of only 20 percent for medicaid which is partially funded with general fund.

Medicaid Waiver - The Home and Community-Based Services program provides services to medicaid recipients who require long-term care. The recipients make the choice to receive services in their home or in an institutional setting. The program is referred to as the "waiver" program because the federal government grants the state a waiver of certain medicaid regulations so that services provided

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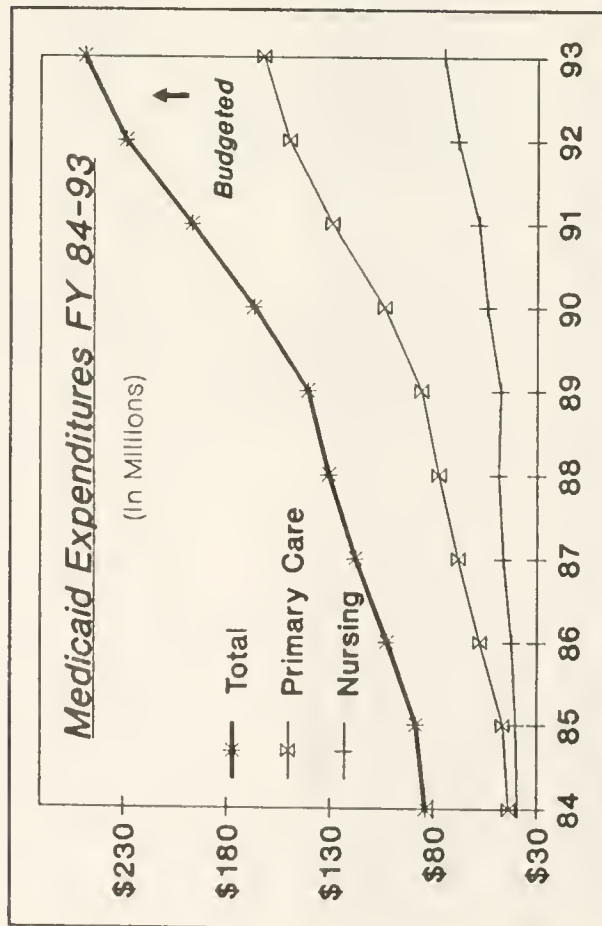
in the recipient's home may be reimbursed with medicaid funds. To be eligible for waiver services, a person must be elderly or disabled, medicaid eligible, and require the level of care provided by nursing facilities. The waiver program also includes certain persons who, without waiver services would be residing in a hospital.

Institutional Reimbursement - All state-operated facilities eligible to receive medicaid reimbursement are reimbursed under this category. The facilities include state-operated nursing homes and facilities for persons with developmental disabilities. Federal funds only are appropriated to the department, while state general fund appropriated to the institutions for their operations is used as state match.

Indian Health - The Montana medicaid program provides federal reimbursement to the Indian Health Service within the state for medical services provided to eligible persons on the Flathead, Blackfoot, Rocky Boy, Fort Belknap, Crow, Northern Cheyenne, and Fort Peck Indian reservations.

Total benefit appropriations increase \$62.01 million in fiscal 1992 and \$81.44 million in fiscal 1993 above the fiscal 1990 level, while general fund benefit appropriations increase \$8.56 million and \$13.50 million respectively. Increases are primarily due to increased numbers of persons obtaining medicaid eligibility, increased utilization of medicaid services, and legislative approval of budget modifications requested by the Executive. Appropriations for medicare buy-in increase 10.0 percent per year during the 1993 biennium, while medicaid waiver benefits are appropriated at the fiscal 1991 appropriated level plus a 4.5 percent annual rate increase for group home providers and the expansion requested by the Executive. Institutional reimbursement (all federal funds) decreases in fiscal 1993 as a result of the Montana Developmental Center down-sizing. The appropriation for Indian health (all federal funds) increases significantly based on recent estimates provided by the federal Department of Health and Human Services.

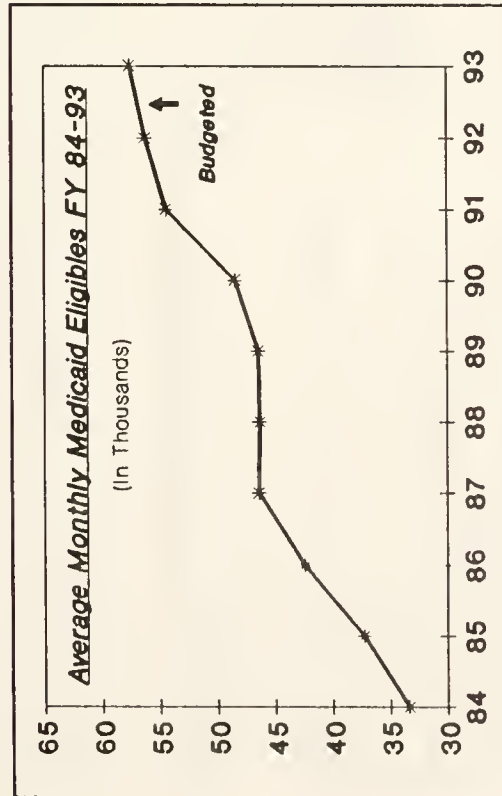
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The graph at left depicts the growth in medicaid expenditures from fiscal 1984 actual expenditures through the appropriated fiscal 1993 amount. The total line represents medicaid expenditures for primary care, nursing care, medicaid waiver and medicare buy-in. Institutional reimbursement and Indian health expenditures (all federal funds) are not included in the graph. The graph shows that the primary care component has been primarily responsible for the rapid increase in medicaid expenditures. In 1984, expenditures for primary care were just \$4.27 million more than expenditures for nursing care. The 1993 primary care appropriation is \$87.36 million higher than the appropriation for nursing care. (Table 10 shows 1993 biennium appropriations for each medicaid benefit.) During the period, 1984 through 1993, primary care expenditures will increase 274.4 percent, while nursing care expenditures increase 91.9 percent.

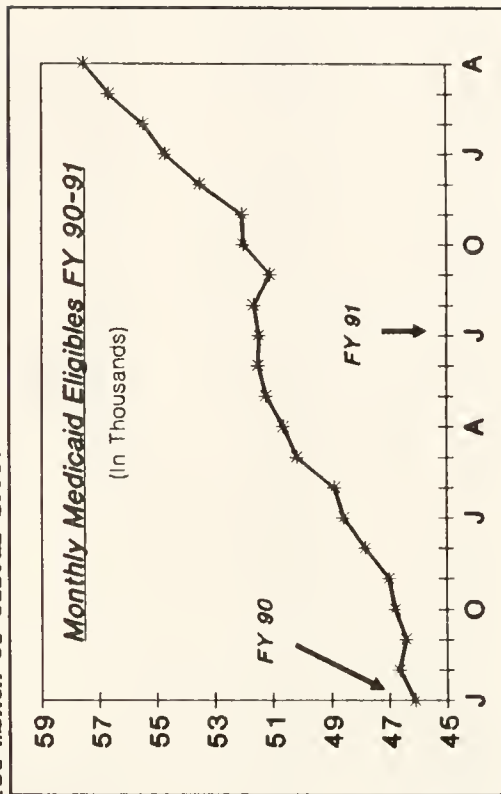
Available data suggest that the significant increase in primary care costs have not been due to "medical inflation" (provider rate increases). In most instances, the state sets the rates it pays providers, and unless additional funding is provided by the legislature, reimbursement rates to providers are not increased. While the legislature provided funding to increase selected provider rates during the 1993 biennium, there were no general "inflationary" increases funded for medical providers. Available data does suggest that the growth in primary care expenditures is largely due to increasing numbers of persons becoming medicaid eligible and increased utilization of available services by medicaid recipients.

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The graph at left depicts the growth in the average monthly number of persons eligible to receive Medicaid services each fiscal year from 1984 through the estimated numbers for 1993. In 1984, there was a monthly average of 33,387 persons eligible to receive Medicaid services. The estimate for 1993 is 57,572, a 72.4 percent increase over the number of eligibles in 1984. These increases have occurred despite a decrease in the state's population. However, growth in the number of Medicaid-eligible persons has not been consistent during the period. Between fiscal years 1987 and 1989, there was essentially no growth at all. This "leveling off" period may have partially contributed to the under-funding of primary care during the 1991 biennium. The department received a supplemental appropriation of \$33.55 million in House Bill-3 to cover the unbudgeted costs of primary care during the 1991 biennium. Primary care projections for the 1993 biennium were revised upward by OBP and the LFA in January, 1991 due to rapidly increasing primary care service utilization and costs during the first half of fiscal 1991. The graph at right depicts growth by month in the number of persons eligible to receive Medicaid services from the beginning of fiscal 1990 through April of fiscal 1991. There were 46,114 persons eligible to receive Medicaid services the first month of fiscal 1990.

By April of fiscal 1991 the number of persons eligible to receive Medicaid services had increased to 57,538. Except for two months during the period when the number of Medicaid-eligible persons actually declined, the trend has been sharply upward, particularly from November through April of fiscal 1991 when the number of persons eligible to receive Medicaid services increased by 5,481. While these graphs depict rapid growth in the number of persons eligible to receive Medicaid services, other data suggest that those who are eligible to receive Medicaid services are also using them more frequently. The most recent information available (through April, 1991) shows that the number of persons utilizing primary care Medicaid services on a monthly basis in fiscal 1991 has increased 15.47 percent over the same period in fiscal 1990. In addition, the actual number of primary care services provided to Medicaid recipients through April, 1991 has increased 20.69 percent over the same period in fiscal 1990. This increasing utilization, when combined with selective provider rate increases and program expansions approved by the legislature, is projected to increase fiscal 1993 primary care expenditures by \$58.48 million over actual fiscal 1990 expenditures, an annual increase of 16.05 percent (see Table 10).



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Table 12 shows the current level projections for primary care and state medical benefit expenditures and the calculations used by the legislature to adjust current level funding. Budget modifications are added to current level shown in the table to calculate the total primary care benefits shown in Table 10.

Table 12
Medicaid Primary Care/State Medical Current Level Funding Calculations

	-----Primary Care-----		-----State Medical-----	
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993
Current level projections	\$145,574,213	\$152,852,924	\$5,470,000	\$5,470,000
State medical expenditures to medicaid	2,260,649	2,307,892	(2,260,649)	(2,307,892)
Managed care contract		(2,500,000)	(811,733)	(713,342)
New administrative procedures		(2,624,459)	(337,024)	(339,388)
Transfer psych. inpatient match to DFS*	(2,499,914)	(1,423,488)		
Psyc. inpatient utilization review	(1,413,927)	(2,093,880)		
Cost Containment	(2,093,880)	(1,200,000)		
Medicaid refunds	(1,200,000)	(1,715,391)		
Medically needy eligibility restrictions**	(1,721,516)	(1,463,401)		
TEAMS savings	(868,212)			
Current level appropriation	\$138,037,413	\$142,140,197	\$2,060,594	\$2,109,378

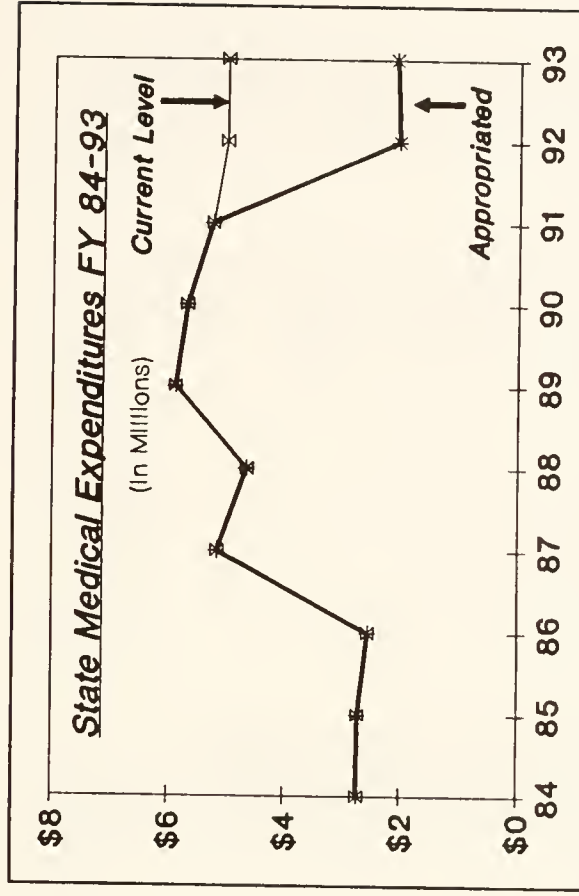
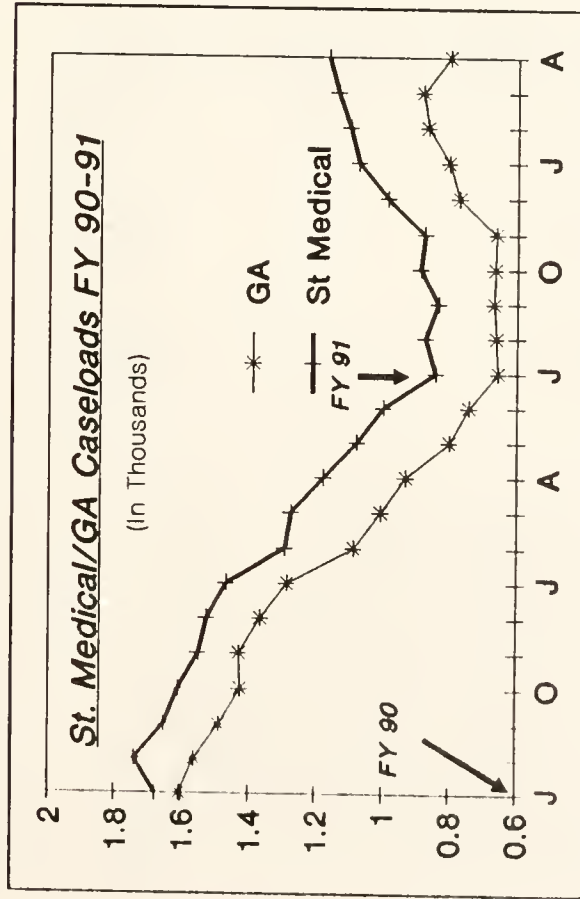
*General fund medicaid match for inpatient psychiatric hospital treatment was appropriated to the Department of Family Services.

**See "Legislative Intent" section

Although it was anticipated that the costs of the state medical program would decrease as GA caseloads decreased, that has not occurred. The graph at left below compares monthly GA caseloads to the number of persons eligible to receive state medical benefits from the beginning of fiscal 1990 through April, 1991. While the graph shows that the number of persons eligible to receive state medical services declined nearly parallel with GA caseloads, the reductions in eligibility numbers has had little impact on state medical costs. The graph at right below depicts state expenditures for state medical benefits from fiscal 1984 through fiscal 1993. While the number of persons eligible to receive state medical benefits has decreased significantly since the beginning of fiscal 1990, the expenditures for fiscal 1990 and 1991 have decreased only slightly. State medical expenditures peaked in fiscal 1989 at \$5.88 million. Despite the reduction in eligibility numbers which has occurred since 1989, expenditures decreased only slightly to \$5.69 in fiscal 1990 and \$5.26 million in fiscal 1991. The large increase in expenditures from fiscal 1988 to fiscal 1989 was not anticipated by the 1989 legislature when it funded state medical benefits for the 1991 biennium. Consequently, the 1991 legislature

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provided a supplemental appropriation of \$1.56 million general fund in House Bill 3 to cover the unbudgeted costs of state medical benefits during the 1991 biennium.



The fact that costs have not decreased commensurate with the number of eligibles may indicate that persons remaining on the eligibility rolls, are on average, more costly than those who are no longer eligible. Currently, the state medical program is an entitlement program. Once eligibility is obtained, the recipient receives a letter of authorization which is used much like a credit card to pay for any benefits covered by the state medical program (which are the same benefits provided by the medicaid program). The 1991 legislature significantly reduced the current level appropriation for state medical benefits (shown in Table 12) based on proposals by the department to reduce the scope and cost of the program. Senate Bill 269, introduced on behalf of the department and enacted into law, limits the types of services provided, specifically defines eligibility criteria and authorizes a system of managed care for state medical recipients. In addition, a new provision in federal law will allow the department to pay for services with medicaid funds (28 percent general fund) during the time that a state medical recipient is appealing an initial denial of SSI eligibility which would have made him/her eligible for medicaid benefits. Currently, the state medical program continues to pay medical costs (100 percent general fund) for these individuals throughout the appeal process. The graph at right above shows the current level 1993 biennium estimates for state medical benefits if no changes are made in the program and the amount actually appropriated based on reductions proposed by the department. There is a significant drop from the actual expenditures occurring in

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fiscal 1991 and the appropriated level in fiscal 1992. If benefits paid in this program are to remain within the appropriated amount, the savings estimated by the department must begin immediately in fiscal 1992.

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Budget Modifications

Modification Type	-----Executive-----			-----Legislature-----				
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) Waiver Home Rate Increase							\$ 9,535	\$ 33,861
2) Hospital Rate Study			\$ 152,780	\$ 305,560			152,780	305,560
3) Nursing Home Audits			30,600	61,200			30,600	61,200
4) Baby Your Baby				268,000				268,000
5) Nurse Aid Testing			172,800	345,600			172,800	345,600
6) Nursing Home Rebase (Including HB 93)			4,867,963	17,288,865			6,248,287	22,179,736
7) Hospital Rate Rebase			1,227,484	4,368,271			920,613	3,276,203
8) Medicaid Waiver Expansion			175,022	621,065			175,022	621,065
9) Inp. Residential Psychiatric*				9,006,383				9,006,383
10) Ob/Gyn/Ped Physician Increase			2,730,827	9,685,501			2,388,323	8,474,813
11) Health Clinic Expansion			36,653	130,000			36,653	130,000
12) Ambulance Rate Increase			278,520	987,836			278,520	987,836
13) Pregnant Women Case Mgmt.			278,058	986,196			278,058	986,196
14) State Medical Managed Care			300,000	300,000			300,000	300,000
15) Medicaid Managed Care**	1.0	1.0	292,415	869,812	1.0	1.0	292,415	869,812
16) Mentally Ill Case Mgmt.**	3.0	3.0		3,035,748	3.0	3.0		3,035,748
17) OERA 1990			2,417,579	7,841,962			1,915,520	6,198,940
Total Modifications	4.0	4.0	\$12,960,701	\$56,101,999	4.0	4.0	\$13,199,126	\$57,080,953
				Legislative Action Over Executive = \$ 238,425				\$ 978,954

*General fund medicaid match of \$3.5 million appropriated to the Department of Family Services.

**Included in the revised Executive Budget, but not shown in the "Executive" column in agency or program tables.

1) Waiver Home Rate Increase - The legislature appropriated \$33,861 (\$9,535 general fund) to increase medicaid waiver group home rates 4.5 percent each year of the 1993 biennium.

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- 2) Hospital Rate Study - The legislature appropriated \$305,560 (\$152,780 general fund) to study the prospective payment system used to reimburse hospitals for inpatient services. The current system utilizes 1983 cost data and 1986 Diagnostic Related Groups (DRG) from 1986.
- 3) Nursing Home Audits - The legislature appropriated \$61,200 (\$30,600 general fund) to fund additional audits of nursing home costs.
- 4) Baby Your Baby - The legislature appropriated \$268,000 for fiscal 1992 to continue this program started by budget amendment in 1991. Funds are 50 percent private donations matched by 50 percent federal funding. The program addresses access of pregnant women to medical care, healthy habits during pregnancy, and other pregnancy-related issues. Media public service announcements and posters and pamphlets are used to reach as many women as possible.
- 5) Nurse Aide Testing - The legislature appropriated \$345,600 (\$172,800 general fund) to contract for the testing of nurse aides. The Omnibus Budget Reconciliation Act of 1987 (OBRA 1987) required that nurse aides receive training and that a test be developed to test nurse aides for competency.
- 6) Nursing Home Rate Rebase - The legislature appropriated \$22,179,736 (\$6.2 million general fund) to increase medicaid reimbursement rates to nursing homes based on more recent cost data. A nursing home reimbursement study, conducted to determine the actual costs incurred by nursing facilities, found that current medicaid reimbursement rates fell short of meeting facility costs. To partially offset the general fund cost of increasing nursing facility reimbursement rates, the legislature enacted House Bill 93 which imposes a \$1.00 per bed day fee in fiscal 1992 and a \$2.00 per bed day fee in fiscal 1993 on all nursing facilities in the state. The fee is imposed only upon beds occupied by residents for whom third-party payors are responsible for reimbursing the facility, i.e., medicaid and/or medicare. The fee is not imposed on beds occupied by residents who reimburse the facility for their own care or whose cost of care is reimbursed by a friend or relative.

Table 13 shows the current level nursing appropriation in House Bill 2, the rate re-basing appropriations contained in both House Bills 2 and 93, and the net increase to nursing facilities after they pay the fee. The appropriations for re-basing in House Bill 2 fund nursing rate increases beginning October 1, 1991 (see "Language" section).

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Table 13
1993 Biennium Private Nursing Facility Medicaid Appropriations*

Appropriation Type	General Fund FY92	Total FY92	General Fund FY92	Total FY93	General Fund Biennium	Total Biennium
H.B. 2 Current Level	\$16,962,016	\$59,957,640	\$17,185,059	\$61,156,793	\$34,147,075	\$121,114,433
H.B. 2 Re-Basing	1,110,746	3,926,285	2,644,514	9,411,083	3,755,260	13,337,368
H.B. 93 Re-Basing	1,239,048	4,379,809	1,253,979	4,462,559	2,493,027	8,842,368
Total Appropriations	19,311,810	68,263,734	21,083,552	75,030,435	40,395,362	143,294,169
Total Increase Over Base	2,349,794	8,306,094	3,898,493	13,873,642	6,248,287	22,179,736
Less Nursing Bed Fees Paid		(1,525,002)		(3,050,004)		(4,575,006)
Net Appropriation Over Current Level		\$ 6,781,092		\$10,823,638		17,604,730
Net % Increase Over Current Level		11.31%		5.95%		

* Does not include revenues or appropriations for state-operated nursing facilities.

Total appropriations in House Bills 2 and 93 for nursing facility rate re-basing are \$8.31 million in fiscal 1992 and \$13.87 million in fiscal 1993. The actual net increase to private nursing facilities after they have paid the new bed fee is \$6.78 million and \$10.82 million respectively. The actual net percentage increase (increase to facilities less fees paid by facilities) is 11.31 percent and 5.95 percent respectively. Federal regulations do not permit states to actually reimburse nursing facilities for the fee itself, i.e., it is not an "allowable" cost under the federal Medicaid program. However, in this instance, the fee is collected, deposited in the general fund, and partially offsets the cost of increasing nursing facility rates to bring reimbursement more in line with actual "allowable" costs incurred by the facilities for providing services to Medicaid recipients. The general fund cost of re-basing private nursing facility rates during the 1993 biennium is \$6.25 million, while the revenue from the fee imposed on private facilities is estimated at \$4.58 million during the biennium. The bed fee will offset approximately 73.2 percent of the general fund cost of increasing private nursing facility rates during the biennium.

Three state-operated nursing facilities (Galen, Center for the Aged and the Montana Veteran's Home) will also be subject to the bed fee. The legislature appropriated \$237,546 general fund to these facilities during the biennium to fund the fee, and appropriated \$213,622 in federal Medicaid funding to the department to increase Medicaid reimbursement to these facilities. Because both appropriations will be deposited in the state general fund, (one as bed fee revenues, the other as institutional reimbursement) the general fund will actually gain the amount of the federal Medicaid reimbursement (\$213,622).

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- 7) Hospital Rate Rebase - The legislature appropriated \$3,276,203 (\$920,613 general fund) to increase medicaid hospital reimbursement rates beginning October 1, 1992. Federal regulations require states to set medicaid rates which cover costs incurred by efficiently and economically operated facilities in complying with medicaid regulations. This modification will allow medicaid reimbursement rates to cover a larger portion of hospital costs.
- 8) Medicaid Waiver Expansion - The legislature appropriated \$621,065 (\$175,022 general fund) to expand home and community-based waiver services for elderly and disabled persons as an alternative to placement in nursing facilities. According to department staff, there are approximately 100 elderly and disabled persons waiting for waiver services. This appropriation will provide funds for 38 persons in fiscal 1992 and an additional 12 persons in fiscal 1993.
- 9) Residential Psychiatric Treatment - The legislature appropriated \$9,006,383 in federal spending authority to provide medicaid reimbursement for residential psychiatric treatment. House Bill 304, enacted by the 1989 legislature, authorized medicaid reimbursement for psychiatric treatment in residential facilities as a pilot program during the 1991 biennium. House Bill 977, enacted by the 1991 legislature, includes this service in the state medicaid plan. This funding provides federal medicaid match to continue medicaid reimbursement during the 1993 biennium. General fund match of \$3.5 million is appropriated to DFS in the 1993 biennium.
- 10) Obstetric/Pediatric Rate Increases - The legislature appropriated \$8,474,813 (\$2,388,323 general fund) to increase medicaid reimbursement rates to physicians beginning October 1, 1991, for providing obstetrical and pediatric services to medicaid recipients. Federal regulations specifically require states to document that these services are available to medicaid recipients at least to the extent that the services are available to the general population in a geographic area.
- 11) Health Clinic Expansion - The legislature appropriated \$130,000 (\$36,653 general fund) to provide reimbursement to all community and migrant health clinics currently funded under the Public Health Act. According to department staff, states have, in the past, been able to limit covered services in these facilities but now must reimburse for all services provided by these facilities.
- 12) Ambulance Provider Rate Increase - The legislature appropriated \$987,836 (\$278,520 general fund) to increase medicaid reimbursement rates for ambulance service. According to department staff, ambulance medicaid reimbursement rates have been frozen since 1982, except for the annual 2.0 percent increases approved for the 1991 biennium. Department staff estimate that ambulance providers are currently reimbursed approximately 50 percent of their cost of providing basic life support services and only 10 percent of costs for advanced life support and air ambulance services.
- 13) Pregnant Women Case Management - The legislature appropriated \$986,196 (\$278,058 general fund) to implement case management services targeted towards pregnant women who meet high risk criteria indicating they may not deliver a full-term infant. Case management services were authorized as a component of the state's medicaid plan by Senate Bill 391. The goal of case management is to assist the client with obtaining necessary services to deliver a normal birthweight baby and thereby decrease the long-term cost to medicaid of caring for low birthweight babies.
- 14) State Medical Managed Care - The legislature appropriated \$300,000 general fund to implement a managed care system for state medical recipients as authorized by Senate Bill 269. This system would manage the receipt of medical services for recipients to

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ensure that their medical needs are met efficiently and cost-effectively. Based on estimates of savings by the department under the managed care system, the legislature reduced the general fund appropriation for state medical benefits by \$1.5 million during the 1993 biennium (see Table 12).

15) Medicaid Managed Care - The legislature appropriated \$869,812 (\$292,415 general fund) to implement a managed-care system for Medicaid recipients as authorized by Senate Bill 391. This system would manage the receipt of medical services for recipients to ensure that their medical needs are met efficiently and cost-effectively. Federal approval of the managed-care system is expected by fiscal 1993. Based on anticipated cost savings once the system is implemented, the legislature reduced the fiscal 1993 Medicaid primary care appropriation by \$2.5 million, \$702,500 of which is general fund (see Table 12).

16) Mentally Ill Case Management - The legislature appropriated \$3,035,748 in federal Medicaid funding during the 1993 biennium to fund case management services for persons with mental illness. Case management services were authorized by Senate Bill 391. These federal funds will be matched by general fund appropriated to the Department of Institutions.

17) OBRA 1990 - The legislature appropriated \$6,198,940 (\$1.46 million in fiscal 1992 and \$4.74 million in fiscal 1993) to implement provisions of the Omnibus Budget Reconciliation Act of 1990 (OBRA 1990) most of which is in the benefits area. General fund appropriations are \$438,298 in fiscal 1992 and \$1,477,222 in fiscal 1993. Less than \$250,000 per year is budgeted for operations, including 3.0 FTE authorized each year of the biennium. The remainder is for benefits.

Transfer expenditures are federal Medicaid funds transferred to DFS for case management services to persons with developmental disabilities. The general fund Medicaid match is appropriated to DFS.

Funding

This program is funded with a mix of state general fund, state revenue fund (the 12 mill welfare levy in the assumed counties and child support enforcement revenues), and federal funds. Table 14 shows 1993 biennium funding by type and the annual percentage increase between fiscal 1990 and 1993.

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Table 14
1993 Biennium Funding Sources

<u>Fund Type</u>	<u>Fiscal 1990</u>	<u>Fiscal 1992</u>	<u>FY92 Over(Under) FY90</u>	<u>Fiscal 1993</u>	<u>FY93 Over(Under) FY90</u>	<u>Annual Change FY90-FY93</u>
General Fund	\$48,887,272	\$58,331,270	\$ 9,443,998	\$63,178,400	\$14,291,128	8.92%
State Revenue Fund	6,906,998	7,724,929	817,931	7,975,494	1,068,496	4.91%
Federal Revenue Fund	<u>131,656,196</u>	<u>187,071,608</u>	<u>55,415,412</u>	<u>200,912,956</u>	<u>69,256,760</u>	<u>15.13%</u>
Total Funds	\$187,450,466	\$253,127,807	\$65,677,341	\$272,066,850	\$84,616,384	13.22%

AUDIT AND PROGRAM COMPLIANCE DIVISION

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	41.00	40.00	40.00	.00	40.00	40.00	.00	-1.00
Personal Services	959,605	1,074,588	1,031,604	42,984-	1,073,671	1,030,724	42,947-	7.50%
Operating Expenses	167,306	164,751	162,444	2,307-	165,942	162,865	3,077-	-2.91%
Equipment	34,415	3,420	3,420	0	3,420	3,420	0	-90.06%
Benefits and Claims	87,519	0	0	0	0	0	0	-100.00%
Transfers	0	198,226	198,226	0	198,234	198,234	0	.00%
Total Costs	\$1,248,845	\$1,440,985	\$1,395,694	\$45,291-	\$1,441,267	\$1,395,243	\$46,024-	11.76%
<u>Fund Sources</u>								
General Fund	598,523	601,866	578,770	23,096-	602,167	578,628	23,539-	-3.30%
State Revenue Fund	0	0	7,445	7,445	0	7,430	7,430	.00%
Federal Revenue Fund	650,322	831,450	809,479	21,971-	831,446	809,185	22,261-	24.47%
Proprietary Fund	0	7,669	0	7,669-	7,654	0	7,654-	.00%
Total Funds	\$1,248,845	\$1,440,985	\$1,395,694	\$45,291-	\$1,441,267	\$1,395,243	\$46,024-	11.76%

Program Description

The Audit and Program Compliance program is responsible for performing financial audits, quality control reviews, and making financial recoveries for the department. Financial audits are periodically conducted on all programs administered by the department. Quality control reviews are conducted on selected AFDC, food stamp, and medicaid cases to ensure compliance with state and federal laws and regulations. Financial recoveries are made in cases of public assistance overpayments and medicaid third-party liability collections, such as health and liability insurance.

Budget

The legislature approved the FTE levels requested by the Executive which decrease 1.0 FTE from the fiscal 1990 level as a result of agency reorganization. Personal service expenditures increase 7.5 percent from fiscal 1990 to fiscal 1992 primarily due to vacancy savings occurring in fiscal 1990 in excess of that budgeted in the 1993 biennium and employee pay increases granted in fiscal 1991 and continued in the 1993 biennium. (Funding appropriated in HB 509 for 1993 biennium pay increases is not included in the table.)

Operating expenses decrease 2.9 percent from fiscal 1990 to fiscal 1992 due primarily to the elimination of one-time fiscal 1990 expenditures which is partially offset by small inflationary and rent increases. Equipment was approved as requested by the

AUDIT AND PROGRAM COMPLIANCE DIVISION

Executive. Expenditures recorded as benefits in fiscal 1990 are appropriated as transfers in the 1993 biennium. (These are federal funds transferred to the Department of Revenue for fraud investigations in welfare and medical programs administered by the department.)

Funding

This program is funded with a mix of state general fund, state revenue funds (child support enforcement revenues), and federal funds. The legislature appropriated the funding mix submitted by the agency.

OFFICE OF MANAGEMENT, ANALYSIS, AND SYSTEMS

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
FTE	44.50	38.25	38.25	.00	38.00	38.00	.00	-6.25
Personal Services	997,288	1,124,338	1,079,365	44,973-	1,118,180	1,073,451	44,729-	8.23%
Operating Expenses	3,951,104	8,708,809	8,709,481	672	7,049,569	7,069,460	19,891	120.43%
Equipment	<u>170,849</u>	<u>158,132</u>	<u>158,132</u>	<u>0</u>	<u>89,591</u>	<u>89,591</u>	<u>0</u>	<u>-7.44%</u>
Total Costs	\$5,119,241	\$9,991,279	\$9,946,978	\$44,301-	\$8,257,340	\$8,232,502	\$24,838-	94.31%
<u>Fund Sources</u>								
General Fund	1,123,483	2,318,437	2,298,849	19,588-	2,567,379	2,559,728	7,651-	104.62%
State Revenue Fund	60,737	548,179	997,647	449,468	596,892	875,876	278,984	1542.57%
Federal Revenue Fund	3,923,327	6,672,564	6,650,481	22,083-	4,810,343	4,796,898	13,445-	69.51%
Proprietary Fund	<u>11,694</u>	<u>452,099</u>	<u>1</u>	<u>452,098-</u>	<u>282,726</u>	<u>0</u>	<u>282,726-</u>	<u>-99.99%</u>
Total Funds	\$5,119,241	\$9,991,279	\$9,946,978	\$44,301-	\$8,257,340	\$8,232,502	\$24,838-	94.31%

Program Description

The Management Analysis and Systems program, created during the 1991 biennium, administers the department's budget management process and computer information systems. The program is assigned responsibility for developing and implementing two large computer information systems--The Economic Assistance Management System (TEAMS) and The System for Enforcement And Recovery of Child Support (SEARCHS).

Language

"Upon final determination of all general fund money in the department's unreconciled special revenue fund balance (in the approximate total amount of \$2,530,153) and the deposit of these funds in the general fund, \$438,795 in fiscal 1992 and \$485,182 in fiscal 1993 are appropriated to fund the additional general fund costs of the TEAMS project in [TEAMS Operations]. Any funds remaining in the special revenue fund to which the state is entitled must be deposited in the general fund. However, if a subsequent reconciliation concludes that funds transferred from the unreconciled account to the general fund belong to the federal government, the department may request a general fund supplemental appropriation to repay the federal funds."

"It is the intent of the Legislature that annualized expenses for operations of SEARCHS not exceed \$1,500,000. This amount includes expenses for any facilities management contracting that may be utilized for system operations, computer processing costs directly associated with operation of the system, and other personal services and nonpersonal services costs directly charged to the management

OFFICE OF MANAGEMENT, ANALYSIS, AND SYSTEMS

- 2) TEAMS Operations - The legislature appropriated an additional \$923,977 in general fund for operations of the department's computerized welfare system during the 1993 biennium. In total, \$8.1 million (\$3.7 million general fund) was appropriated for TEAMS operations during the 1993 biennium.
- 3) SEARCHS - The legislature appropriated an additional \$5.5 million to develop and implement a computer system for the Child Support Enforcement program. The system will provide fiscal and statistical data necessary to meet federal reporting requirements, increase data reliability, and improve the effectiveness of child support enforcement activities. The funds are 90 percent federal and 10 from revenues generated by child support enforcement activities.

Funding

Funding for this program is a mix of state general fund, state revenue (county reimbursement, telephone access line charges, child support enforcement revenues), and federal funds. The program is funded as requested by the department.

VOCATIONAL REHABILITATION PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	75.90	74.00	74.00	.00	73.50	73.50	.00	-1.90
Personal Services	1,916,622	2,003,180	1,923,053	80,127-	1,990,244	1,910,634	79,610-	.34%
Operating Expenses	458,160	506,017	456,073	49,944-	479,059	428,791	50,268-	-.46%
Equipment	15,861	11,432	11,432	0	11,432	11,432	0	-27.92%
Benefits and Claims	5,562,258	5,725,048	6,132,412	407,364	5,625,048	6,286,833	661,785	10.25%
Total Costs	\$7,952,901	\$8,245,677	\$8,522,970	\$277,293	\$8,105,783	\$8,637,690	\$531,907	7.17%
<u>Fund Sources</u>								
General Fund	848,936	982,210	1,178,023	195,813	980,832	1,229,463	248,631	38.76%
State Revenue Fund	726,767	721,980	688,058	33,922-	721,585	687,966	33,619-	-5.33%
Federal Revenue Fund	6,377,198	6,541,487	6,656,889	115,402	6,403,366	6,720,261	316,895	4.39%
Total Funds	\$7,952,901	\$8,245,677	\$8,522,970	\$277,293	\$8,105,783	\$8,637,690	\$531,907	7.17%

Program Description

The Vocational Rehabilitation program is responsible for providing services to persons with physical or mental disabilities of employable age to restore them to gainful employment. Clients served by the program receive counseling and are assisted in developing an individual service plan, which may include counseling, training, job placement, or medical assistance. Clients who are not able to enter competitive employment are provided sheltered employment opportunities, supported employment, and independent living services. The program's statutory authority is in Title 53, Chapter 7, MCA.

Language

"[Provider Rate Increase] is funding for a 4.5% rate increase each year of the 1993 biennium to providers of vocational rehabilitation services."

"The department is authorized to transfer funds between appropriations for the vocational rehabilitation and visual services programs."

VOCATIONAL REHABILITATION PROGRAM

Budget

The legislature approved the FTE levels requested by the Executive, which decrease 1.9 FTE in fiscal 1992 and 2.4 FTE in fiscal 1993 below the fiscal 1990 level. Two FTE are eliminated due to termination of a federally funded pilot program and 0.4 FTE is eliminated and personal services moved to contracted services. Personal service expenditures increase less than 1 percent from fiscal 1990 to fiscal 1992. (Funding appropriated in HB 509 for 1993 biennium pay increases is not included in the table.)

Operating expenses decrease 0.5 percent from fiscal 1990 to fiscal 1992 due to the termination of the federal pilot program, which is partially offset by legislative approval of Executive budget modifications. Equipment is funded at the Executive request.

Benefit expenditures increase 10.3 percent from fiscal 1990 to fiscal 1992 primarily due to a 4.5 percent provider rate increase, funding to reduce client waiting lists, and legislative approval of an Executive budget modification which are partially offset by the termination of benefits funded through a federally funded pilot program.

Budget Modifications

Modification Type	Executive			Legislature				
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) JTPA Administration				\$30,000				\$ 30,000
2) JTPA Additional Training				50,000				50,000
3) 4.5% Provider Rate Increases							\$156,374	758,239
4) Program Expansion							<u>310,910</u>	<u>310,910</u>
Total Modifications	0.0	0.0	\$ 0	\$80,000	0.0	0.0	\$467,284	\$1,149,149
	Legislative Action Over Executive =							\$1,069,149

1/2) Additional JTPA Funding - Funds received under the federal Job Training Partnership Act (JTPA) are used in this program to provide job training to persons with disabilities. The legislature appropriated \$80,000 in additional federal spending authority to utilize additional monies made available by the federal government.

3) Provider Rate Increases - The legislature appropriated \$758,239 (\$156,374 general fund) to increase vocational rehabilitation service provider rates 4.5 percent each year of the 1993 biennium.

VOCATIONAL REHABILITATION PROGRAM

4) Program Expansion - Additional general fund of \$310,910 was appropriated during the 1993 biennium to provide extended employment services to 30 of the estimated 60 persons now waiting for these services. Employment will be provided in sheltered workshops or supported employment settings. Persons receiving these services are head-injured, physically disabled, mentally ill or learning disabled and are not eligible for DD services because their disability is not developmental.

Funding

This program is funded by a mix of state general fund, state revenue fund (industrial accident rehabilitation and workers' compensation regulation funds), and federal funds. During fiscal 1993, federal funds provide 78 percent of the funding for this program.

DISABILITY DETERMINATION PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	43.13	41.00	41.00	.00	41.00	41.00	.00	-2.13
Personal Services	1,293,256	1,076,603	1,033,539	43,064-	1,075,726	1,032,697	43,029-	-20.08%
Operating Expenses	1,066,215	1,539,779	1,539,779	0	1,539,652	1,539,652	0	44.42%
Equipment	12,803	14,000	14,000	0	14,000	14,000	0	9.35%
Benefits and Claims	44,071	68,000	68,000	0	68,000	68,000	0	54.30%
Total Costs	\$2,416,345	\$2,698,382	\$2,655,318	\$43,064-	\$2,697,378	\$2,654,349	\$43,029-	9.89%
<u>Fund Sources</u>								
Federal Revenue Fund	2,416,345	2,698,382	2,655,318	43,064-	2,697,378	2,654,349	43,029-	9.89%
Total Funds	\$2,416,345	\$2,698,382	\$2,655,318	\$43,064-	\$2,697,378	\$2,654,349	\$43,029-	9.89%

Program Description

The Disability Determination program is responsible for determining disability of Montana residents who apply for Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) disability benefits. The SSDI program provides cash benefits to disabled workers (and qualified dependents) who have contributed to the Social Security Trust Fund through taxes on their earnings. The SSI program provides a minimum income level for financially needy persons who are aged, blind or disabled.

Budget

The legislature approved the FTE levels requested by the Executive, which decrease 2.13 FTE from fiscal 1990 to fiscal 1992. The eliminated FTE are aggregate medical consultant positions which will no longer be paid from personal services. In response to a federal review, the consultants will be paid from contracted services. This change transfers \$345,500 from personal services to contracted services and is primarily responsible for reducing personal services expenditures by 20.1 percent from fiscal 1990 to fiscal 1992. (Funding appropriated in HB 509 for 1993 biennium pay increases is not included in the table.)

Operating expenses increase 44.4 percent from fiscal 1990 to fiscal 1992 primarily due to the \$345,500 transferred from personal services to contracted services and the fact that the legislature approved the Executive current level budget which was based on the fiscal 1991 appropriation, rather than fiscal 1990 expenditures.

Benefits (payments for client travel to obtain disability examinations) are continued at the fiscal 1991 appropriated level.

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DISABILITY DETERMINATION PROGRAM

Funding

This program is 100 percent federally funded.

VISUAL SERVICES PROGRAM

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Executive Fiscal 1992</u>	<u>Legislature Fiscal 1992</u>	<u>Difference Fiscal 1992</u>	<u>Executive Fiscal 1993</u>	<u>Legislature Fiscal 1993</u>	<u>Difference Fiscal 1993</u>	<u>Change 1990-92</u>
FTE	18.80	18.75	18.75	.00	18.75	18.75	.00	-.05
Personal Services	424,226	510,947	490,509	20,438-	510,655	490,229	20,426-	15.62%
Operating Expenses	105,528	113,910	109,332	4,578-	113,610	108,584	5,026-	3.60%
Equipment	9,149	9,129	9,129	0	9,129	9,129	0	-.22%
Benefits and Claims	671,489	641,204	670,062	28,858	641,204	699,200	57,996	-.21%
Total Costs	\$1,210,392	\$1,275,190	\$1,279,032	\$3,842	\$1,274,598	\$1,307,142	\$32,544	5.67%
<u>Fund Sources</u>								
General Fund	259,710	286,861	289,062	2,201	286,743	296,129	9,386	11.30%
Federal Revenue Fund	950,682	988,329	989,970	1,641	987,855	1,011,013	23,158	4.13%
Total Funds	\$1,210,392	\$1,275,190	\$1,279,032	\$3,842	\$1,274,598	\$1,307,142	\$32,544	5.67%

Program Description

The Visual Services program is responsible for providing rehabilitative services to persons who are blind and visually-impaired. Clients served by the program receive counseling and are assisted in developing an individual service plan, which may include counseling and guidance, job placement, adaptive living techniques, training, and medical assistance. Clients who are not able to enter competitive employment are provided sheltered employment opportunities, independent living, and visual medical services. Statutory authority for the program is in Title 53, Chapter 7, MCA.

Language

"[Provider Rate Increase] is funding for a 4.5 % rate increase each year of the 1993 biennium to providers of visual services."

"The department is authorized to transfer funds between appropriations for the vocational rehabilitation and visual services Programs."

Budget

The legislature approved the FTE levels requested by the Executive which decrease 0.05 FTE below the fiscal 1990 level due to the conversion of a partial position from personal services to contracted services. Personal services increase 15.6 percent from fiscal

DEVELOPMENTAL DISABILITIES PROGRAM

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	33.25	40.25	40.25	.00	43.25	43.25	.00	7.00
Personal Services	957,979	1,252,184	1,202,096	50,088-	1,329,457	1,276,279	53,178-	25.48%
Operating Expenses	283,913	306,299	303,791	2,508-	324,951	320,779	4,172-	7.00%
Equipment	9,823	13,473	13,473	0	10,081	10,081	0	37.16%
Grants	0	0	16,000	16,000	0	16,000	16,000	.00%
Benefits and Claims	21,078,372	28,002,636	29,595,964	1,593,328	30,404,651	33,631,137	3,226,486	40.41%
Total Costs	\$22,330,087	\$29,574,592	\$31,131,324	\$1,556,732	\$32,069,140	\$35,254,276	\$3,185,136	39.41%
<u>Fund Sources</u>								
General Fund	7,995,062	11,245,473	12,040,691	795,218	12,093,578	14,171,601	2,078,023	50.60%
Federal Revenue Fund	14,335,025	18,329,119	19,090,633	761,514	19,975,562	21,082,675	1,107,113	33.17%
Total Funds	\$22,330,087	\$29,574,592	\$31,131,324	\$1,556,732	\$32,069,140	\$35,254,276	\$3,185,136	39.41%

Program Description

The Developmental Disabilities program is responsible for providing services to persons who are developmentally disabled. Residential, vocational, child and family care, and other support services are provided through contracts with local non-profit corporations. Among those eligible to receive services are persons with mental retardation, cerebral palsy, epilepsy, autism, or those with neurologically handicapping conditions similar to mental retardation that occur prior to age eighteen. Statutory authority for the program is provided in Title 53, Chapter 20, MCA.

Language

"[Provider Rate Increase] is funding for a 4.5% rate increase each year of the 1993 biennium to providers of developmental disabilities services."

"The department may pursue funding under the federal ICF/MR program for additional intensive service slots funded by the 1991 Legislature if the federal government fails to approve adequate medicaid waiver funding under the home and community-based waiver program."

DEVELOPMENTAL DISABILITIES PROGRAM

Legislative Intent

The department may seek federal approval of an amendment to Montana's Alternative Disposition Plan for services to persons with developmental disabilities who reside in nursing homes. The purpose of the amendment is to delay until fiscal 1994, the "active treatment" requirement for eligible persons residing in nursing homes.

The legislature requests that the department work with the Office of Public Instruction to develop a plan for providing continuity of services for students graduating from special education programs in public schools and moving into services provided to adults with disabilities.

The department may not consider donated or nondepartmental contracted funds obtained by developmental disabilities providers when allocating or contracting state payments for developmental disabilities services.

Budget

The legislature approved the FTE levels requested by the Executive which increase 7.0 FTE in fiscal 1992 and 10.0 FTE in fiscal 1993. Changes in FTE levels from fiscal 1990 are: 1) 1.0 FTE eliminated due to agency reorganization; 2) 3.0 FTE approved by the 1989 legislature beginning in fiscal 1991; and 3) 5.0 FTE and 8.0 FTE added in fiscal 1992 and fiscal 1993 respectively due to approval of Executive budget modifications. Personal service costs increase 25.5 percent from fiscal 1990 to fiscal 1992 primarily due to the additional FTE and the continuation of the fiscal 1991 employee pay increases in the 1993 biennium. (Funding appropriated in HB 509 for 1993 biennium pay increases is not included in the table.)

Operating expenses increase 7.0 percent from fiscal 1990 to fiscal 1992 primarily due to legislative approval of budget modifications which contain operational expenditures. Equipment was approved at the Executive request. Grant funds (which were recorded as benefits in fiscal 1990) provide assistance in funding the annual Developmental Disabilities Conference.

Benefits increase 40.4 percent from fiscal 1990 to fiscal 1992 due to: 1) funding for the Specialized Service Support Organization (SSSO) funded by the 1989 legislature beginning in fiscal 1991; 2) legislative approval of Executive budget modifications; 3) legislative approval of 4.5 percent annual increases in provider rates; and 4) program expansions approved by the legislature.

Funds appropriated for benefits in this program are used by the department to contract with private, not-for-profit corporations for services to persons with developmental disabilities. Programs are located throughout Montana and provide a wide variety of residential and vocational opportunities. There are currently approximately 2,550 persons receiving one or more community-based services funded through this program.

DEVELOPMENTAL DISABILITIES PROGRAM

- 5) OBRA 1987 DD Treatment - The legislature appropriated \$1,058,986 (\$296,516 general fund) in fiscal 1993 to provide community-based services to nursing home residents with developmental disabilities. The Omnibus Budget Reconciliation Act (OBRA) of 1987 requires that states evaluate the needs of persons with developmental disabilities residing in nursing homes. These residents may either move to community-based DD services or remain in the nursing home and receive active treatment provided by the state. This appropriation provides funding only for nursing residents who choose to leave nursing facilities and receive community-based services. The provision of active DD treatment in nursing homes will be delayed until fiscal 1994 (see "Legislative Intent" section).
 - 6) DD Part H Expansion - The legislature appropriated \$1,983,372 (\$1,494,118 general fund) to expand the early intervention program for infants and children up to 36 months of age who have special needs. Approximately 1.5 percent of Montana children under 36 months experience a developmental delay and would be eligible to receive services under this program.
 - 7) Increased Medicaid Funding - The legislature appropriated \$1.0 million additional federal spending authority for medicaid funds during the 1993 biennium should client eligibility changes occur or if the Medicaid Home and Community-Based Waiver program expands.
 - 8) Montana Youth Initiative - The legislature appropriated \$172,000 additional federal spending authority for medicaid funds to provide services to four youths who began receiving services under the Montana Youth Initiative (MYI) in 1990. The MYI is a cooperative agreement between state agencies intended to provide the most appropriate treatment for difficult-to-place youth in need of services. The state match will be provided by the DFS.
 - 9) Chapter I Federal Funding - The legislature appropriated \$180,000 in additional federal spending authority for federal funds granted by the Office of Public Service to provide services to preschool children with developmental disabilities. Services provided include speech or physical therapy and educational training and equipment.
- The legislature approved the Executive proposal to downsize MDC to approximately 100-110 residents and expand community services for persons with developmental disabilities. The plan is divided into four phases, the first three of which are nearly completed. Phase I and II (Modification #3), implemented by the Executive during the 1991 biennium, will provide services to 24 residents in four community group homes located in Helena, Hamilton, Livingston, and Billings. The 1991 legislature provided a \$1.4 million supplemental appropriation in House Bill 3 to fund Phase I and II during the 1991 biennium. Phase III, the SSSO authorized by the 1989 legislature (current level), will provide services to 52 residents in seven group homes in Missoula. Thirty MDC residents will be transferred to these homes, while the remaining 22 spaces will be reserved for persons in the community who are waiting for intensive services.
- Phase IV (Modification #4) will expand community-based services to accommodate 60 additional persons, 30 of whom will be transferred from MDC. As part of Phase IV, the MDC facility will be renovated and consolidated to enhance treatment capabilities and increase efficiencies. House Bill 963 authorized the sale of bonds for this purpose and appropriated \$8.665 in bond proceeds. In total, the four-phase plan will provide community-based development disabilities services to an additional 136 persons, 84 of whom will be from MDC. In addition to the budget modifications approved in the department, budget modifications were approved in DFS and MDC's budget was reduced to reflect decreased population.

DEVELOPMENTAL DISABILITIES PROGRAM

Table 15 shows the general fund appropriations approved by the legislature to carry out the MDC down-sizing compared to the LFA current level budget which reflects continued funding of MDC at its current level population and no further community program expansion.

Table 15
1993 Biennium General Fund Appropriations to Implement DD System Revisions

Budget Item	Legislature Fiscal 1992	LFA* Fiscal 1992	Difference Fiscal 1992	Legislature Fiscal 1993	LFA* Fiscal 1993	Difference Fiscal 1993
Mt. Development Center	\$10,876,626	\$12,118,389**	(\$1,241,763)	\$9,851,953	\$12,219,752**	(\$2,367,799)
SRS Phase I & II	391,794		391,794	389,156		389,156
SRS Phase III	952,605	952,605		950,542	950,542	
SRS Phase IV	725,745		725,745	1,213,331		1,213,331
DFS Phase I & II	27,072		27,072	27,072		27,072
DFS Phase IV	91,839		91,839	167,545		167,545
Total Difference***	\$13,065,681	\$13,070,994	\$ (5,313)	\$12,599,599	\$13,170,294	\$ (570,695)

* Includes MDC reduction of 30 average daily population (ADP) transferred to Phase III (SSSO) approved by the 1989 legislature.
 **LFA current level personal services for MDC is reduced 2 percent to permit accurate comparisons with action taken by legislature.
 ***Does not include federal medicaid reimbursement revenue loss to the general fund as a result of decreased MDC expenditures.

Funding

This program is funded with a mix of general fund and federal funds. Federal funds include medicaid, Social Services Block Grant, Low Income Energy Assistance funds (LIEAP), and funds from the Office of Public Instruction. General fund increases 50.6 percent from fiscal 1990 to fiscal 1992, while federal funds increase 33.2 percent during the same period. Table 16 shows 1993 biennium general fund appropriations compared to fiscal 1990 general fund expenditures and the average annual increase between fiscal 1990 and fiscal 1993.

DEVELOPMENTAL DISABILITIES PROGRAM

Table 16
1993 Biennium General Fund Increases by Type

<u>Budget Item</u>	<u>Fiscal 1990</u>	<u>Fiscal 1992</u>	<u>FY92 Over (Under) FY90</u>	<u>Fiscal 1993</u>	<u>FY93 Over (Under) FY90</u>	<u>Annual Change FY90-FY93</u>
Base operations	\$ 326,583	\$ 333,658	\$ 7,075	\$ 332,584	\$ 6,001	0.61%
Base benefits	7,668,479	7,926,825	258,346	7,994,206	325,727	1.40%
Part H expansion		597,059	597,059	897,059	897,059	NA
Phase I & II		391,794	391,794	389,156	389,156	NA
Phase III		952,605	952,605	950,542	950,542	NA
Phase IV		725,745	725,745	1,213,331	1,213,331	NA
OBRA 1987 DD treatment		931,226	931,226	296,516	296,516	NA
Provider rate increases		181,779	181,779	1,916,428	1,916,428	NA
Additional treatment slots				181,779	181,779	NA
Total General Fund	\$7,995,062	\$12,040,691	\$4,045,629	\$14,171,601	\$6,176,539	21.02%

DEVELOPMENTAL DISABILITIES ADVISORY COUNCIL

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	3.00	3.00	3.00	.00	3.00	3.00	.00	.00
Personal Services	61,214	70,687	67,860	2,827-	70,601	67,777	2,824-	10.86%
Operating Expenses	29,679	51,813	51,813	0	51,899	51,899	0	74.58%
Equipment	294	0	0	0	0	0	0	-100.00%
Benefits and Claims	194,939	227,500	227,500	0	227,500	227,500	0	16.70%
Total Costs	\$286,126	\$350,000	\$347,173	\$2,827-	\$350,000	\$347,176	\$2,824-	21.34%
<u>Fund Sources</u>								
Federal Revenue Fund	286,126	350,000	347,173	2,827-	350,000	347,176	2,824-	21.34%
Total Funds	\$286,126	\$350,000	\$347,173	\$2,827-	\$350,000	\$347,176	\$2,824-	21.34%

Program Description

The Montana State Developmental Disabilities Planning and Advisory Council (DDPAC), a 100 percent federally funded program, provides advice to the Governor's office, the department, other state agencies, local governments, and private organizations on programs and services for persons with developmental disabilities. Through its grant and contract program, the council provides start-up funds for projects designed to assist persons with disabilities. The council is provided for in Sections 53-20-206 and 2-15-2204, MCA.

Budget

The legislature approved the Executive request for this program but reduced personal services by 4 percent. Personal services increase 10.9 percent from fiscal 1990 to fiscal 1992, while operations increase 74.6 percent during the period. (Funding appropriated in HB 509 for 1993 biennium pay increases is not included in the table.)

DEVELOPMENTAL DISABILITIES ADVISORY COUNCIL

Budget Modifications

Modification Type	-----Executive-----			-----Legislative-----				
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) DDPAC Administration				\$19,981				\$19,981
2) DDPAC Benefits				65,000				65,000
Total Modifications	0.0	0.0	\$ 0	\$84,981	0.0	0.0	\$ 0	\$84,981

DDPAC Federal Grant Increase - The legislature appropriated additional federal spending authority of \$84,981 during the 1993 biennium to permit expenditures of the total grant amount available from the federal government. Federal grant funds received by DDPAC are split 35 percent operations and 65 percent benefits.

Funding

This program is funded totally with federal funds.

DEPARTMENT OF FAMILY SERVICES

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	566.37	582.60	583.60	1.00	582.60	583.60	1.00	17.23
Personal Services	13,978,009	15,926,031	15,750,913	175,118-	15,918,938	15,743,587	175,351-	12.68%
Operating Expenses	2,989,845	3,194,601	4,642,999	1,448,398	3,272,172	4,527,679	1,255,507	55.29%
Equipment	42,887	93,720	96,320	2,600	74,125	75,925	1,800	124.59%
Grants	5,136,444	5,447,633	5,492,622	44,989	5,384,993	5,402,894	17,901	6.93%
Benefits and Claims	12,141,394	18,862,504	22,788,905	3,926,401	19,172,172	23,918,522	4,746,350	87.70%
Total Costs	\$34,288,579	\$43,524,489	\$48,771,759	\$5,247,270	\$43,822,400	\$49,668,607	\$5,846,207	42.24%
Fund Sources								
General Fund	21,955,951	28,903,076	29,364,538	461,462	29,105,107	29,852,783	747,676	33.74%
State Revenue Fund	2,279,589	2,507,116	2,945,116	438,000	2,513,360	2,958,917	445,557	29.20%
Federal Revenue Fund	10,053,039	12,114,297	16,462,105	4,347,808	12,203,933	16,856,907	4,652,974	63.75%
Total Funds	\$34,288,579	\$43,524,489	\$48,771,759	\$5,247,270	\$43,822,400	\$49,668,607	\$5,846,207	42.24%

Agency Description

The Department of Family Services (DFS) provides: 1) protective services for children, youth, and adults who are abused and neglected; 2) community based services designed to enhance the self-sufficiency and independence of the elderly and developmentally disabled; 3) care and education in the two state youth correctional institutions; and 4) aftercare services for youth coming out of these institutional placements. The department, authorized in Section 2-15-2401, MCA, and defined in Title 52, MCA, has four programs: 1) Management Support; 2) Community Services, including Aftercare and Youth Evaluation; 3) Mountain View; and 4) Pine Hills.

Budget

The legislature implemented a 2 percent reduction in funding for most fiscal 1992 and 1993 personal services, excluding salaries and benefits for social workers in the community services program. This reduction is reflected in both the main tables and the budget modification tables at the agency and program levels. Funding sources are reduced in proportion to the total personal services in each program having personal services.

The budget increases from fiscal 1990 to fiscal 1992 primarily because: 1) additional FTE increase personal services costs by \$0.6 million; 2) foster care services increase \$7.8 million; 3) targeted case management for the developmentally disabled increases by \$1.1 million; 4) day care services increase by \$2.9 million; 5) \$1.5 million is added for other modifications, continuation of the

DEPARTMENT OF FAMILY SERVICES

fiscal 1991 pay plan, and vacancy savings occurring in fiscal 1990 in excess of that budgeted in the 1993 biennium; and 6) an accounting change adds \$0.5 million. The differences between fiscal 1990 and fiscal 1992, as well as the budget modifications and current level adjustments shown below, are discussed in detail in the program narratives.

The pay plan increase for fiscal 1992 and fiscal 1993 (House Bill 509) is not included in the table above or in the program tables. A description of the pay plan increase and a table showing allocations to each agency are in Volume I of this report in the "Pay Plan" section.

Budget Modifications

Budget Modification	Executive		Legislature		Total 92-93
	FTE FY92	FTE FY93	General Fund 92-93	General Fund 92-93	
Management Support					
1) Management Staff Increases	5.00	5.00	\$216,455	\$212,678	\$369,488
2) Division Director				77,871	91,613
Community Services					
1) Staff Increases	8.00	8.00	465,562	457,992	538,814
2) Phase I & II Supp. Income			54,144	54,144	54,144
3) Phase IV Supp. Income			73,320	73,320	73,320
4) Phase IV Child Placement			126,735	126,735	450,000
5) MDC Phase IV Case Mgmt.	2.75	2.75	60,364	59,329	162,410
6) Native American Services			559,840	559,840	1,985,600
7) Youth Treatment Services	1.00	1.00	3,536,426	3,535,010	3,535,010
8) Field Equipment			40,000	40,000	40,000
Mountain View					
1) Mtn. View Staff Increases	1.36	1.36	69,930	68,577	69,577
Pine Hills					
1) Pine Hills Industries			12,000		12,000
2) Pine Hills Staff Increases	3.00	3.00	125,919	123,464	123,464
Total	21.11	21.11	\$7,436,350	\$5,388,960	\$7,504,440

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Other Legislation

In addition to House Bill 2, four other bills appropriate funds to the Department of Family Services, as shown below. These appropriations are not included in the main table.

Bill No./Description	-----Fiscal 1992-----		-----Fiscal 1993-----	
	FTE	General Fund	FTE	General Fund
HB 371 - In-home Aging Services*		\$200,000		
HB 489 - Foster Care Clothing*		266,186		
HB 491 - Foster Care Respite Care*		100,000		
HB 569 - Mgmt. Information System		547,339		
		685,651**		
Totals	0.00	\$1,113,525	0.00	\$0
		\$1,364,833		\$138,312

* Biennial appropriations

** The general fund is a biennial appropriation, but the federal funding is split between fiscal 1992 and 1993.

HB 371 - In-home Aging Services - The legislature appropriated general fund of \$200,000 for the biennium to the Department of Family Services to provide in-home aging services. The funds are granted to the Area Agencies on Aging as provided in section 53-5-101, MCA, for the purpose of providing additional in-home services to the elderly to enable them to remain in their homes.

HB 489 - Foster Care Clothing - The legislature appropriated general fund of \$266,186 and federal funds of \$112,996 for the biennium for clothing for children placed in foster homes. This appropriation increases the allowance per child from approximately \$100 each year paid in the 1991 biennium to a maximum of \$300 per year in the 1993 biennium.

HB 491 - Foster Care Respite Care - The legislature appropriated general fund of \$100,000 for the biennium to provide respite care for foster children who are: 1) developmentally disabled and either on a respite care waiting list or not eligible for other respite care; 2) medically demanding; or 3) suffering from severe emotional problems. Respite care may be provided on an hourly, daily, or weekly basis to the extent that funds are available.

HB 569 - Management Information System - The legislature appropriated general fund of \$547,339 for the biennium and federal funds of \$138,312 each year for a management information system. The general fund earmarked for this system is the lesser of the appropriated amount or the amount available from the department of social and rehabilitation services' (SRS) unreconciled special revenue fund balance after funding the appropriation to the TEAMS project in SRS. The total appropriation of \$912,893 for the management information system includes this appropriation of \$823,963 for the biennium and a biennial appropriation of \$88,930 in House Bill 2.

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Other legislation for which implementation appropriations are contained in House Bill 2, or which impact the department's budget are listed below:

HB 299 - Permanency Planning - The legislature required the department to implement a two-year permanency planning project, including a case review of all children in foster care over a three-month period, to: 1) determine what needs to be done in each case to assure a permanent home for each child; and 2) assist the department social workers in effectively finding and using the resources to implement positive and realistic permanency plan options for children. No additional funds were appropriated for this project.

HB 642 - Licensing of Day Care Facilities - The department is required to license all day care facilities. This legislation excludes from the licensing requirement all group facilities that: 1) are established chiefly for educational purposes; and 2) limit services to children who are three years of age or older.

HB 937 - Day Care Resource and Referral - The legislature revised the Montana Child Care Act to continue the state grant program for local child-care resource and referral programs. HB 2 contains federal funds of \$413,568 and general fund of \$15,000 for the biennium to continue and expand the programs.

HB 977 - Inpatient Residential Treatment - The legislature authorized inpatient residential treatment as an optional service in the Montana medicaid program. HB 304, enacted by the 1989 legislature authorized medicaid reimbursement for this service during the 1991 biennium as a pilot program terminating at the end of fiscal 1991. This bill continues authorization for this service and provides a specific definition of the services which these facilities must provide to be eligible for medicaid reimbursement. The legislature appropriated \$9.01 million of federal medicaid funds to SRS and \$3.5 million of general fund medicaid match to DFS to fund this service during the 1993 biennium. HB 2 permits DFS to use a portion of the state medicaid match to establish less intensive, less costly alternatives to inpatient residential and hospital psychiatric treatment. At least \$1.3 million of the \$3.5 million appropriated to DFS must be reserved as state match for medicaid reimbursement for residential psychiatric services.

HB 993 - Parental Contributions - The legislature required that a youth's parents or guardians contribute toward the cost of out-of-home care provided by DFS. SRS is required to assist DFS in collecting these contributions. The legislature reduced HB 2 general fund authority in DFS and increased state special revenue by \$60,200 in fiscal 1992 and \$65,400 in fiscal 1993 to reflect increased parental contributions resulting from HB 993. The legislature also appropriated \$60,112 of state and federal revenue in HB 2 to SRS for these additional collection activities during the 1993 biennium.

SB 37 - Youth Detention Services - The legislature required counties to provide youth detention centers and provides state grants from lottery proceeds for a portion of the detention services, including short-term detention and transportation. The legislature increased HB 2 general fund appropriations to DFS by \$5,105 in fiscal 1992 and \$33,613 in HB 2 for aftercare services to youth who are served by DFS. House Bill 74, which is contingent on passage and approval of Senate Bill 37, authorizes a county levy for juvenile detention programs. Senate Bill 56 restricts placement or evaluation of predispositional youth at a state youth correctional facility (Pine Hills or Mountain View), requires counties to pay the cost of youth evaluations, and requires parents who are financially able to contribute to the cost of youth evaluations. Senate Bill 59, which is also contingent on approval of Senate Bill 37, prohibits the placement of youth in need of supervision in a jail, secure detention facility, or a correctional facility.

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SB 205 - Interagency Cooperation - The legislature required state agencies to enter into a cooperative agreement regarding the provision of children's services and designated the Department of Family Services as the lead agency in coordinating and planning services to children. No additional funds were appropriated for this purpose.

SB 284 - Children's Trust Fund Board - This bill allows the Children's Trust Fund board to hire its own staff, but no additional funds were appropriated for this purpose.

SB 348 - Protective Services - The legislature authorized the Department of Family Services to provide protective services to certain older and developmentally disabled persons. No additional funds were appropriated for this purpose.

SB 385 - Industries Program - The legislature allows the department to establish industries programs at the state youth correctional facilities. HB 2 contains an appropriation of \$6,000 each year for an industries program at Fine Hills School.

SB 391 - Targeted Case Management - The legislature authorized managed care and case management services for medicaid recipients, including services to the developmentally disabled provided by DFS. In the 1991 biennium, general fund of approximately \$0.8 million each year was matched with federal funds of approximately \$0.8 million, billed directly by DFS. The funding for the 1993 biennium is changed to the full medicaid match of 28/72 general fund/federal funds, and \$1.9 million each year is appropriated as a transfer from SRS. The case management program expansion of \$1.1 million each year may be used to either hire social workers or contract for services.

MANAGEMENT SUPPORT

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	43.50	50.50	51.50	1.00	50.50	51.50	1.00	8.00
Personal Services	1,245,008	1,630,836	1,638,577	7,741	1,628,155	1,635,858	7,703	31.61%
Operating Expenses	721,221	845,271	985,984	140,713	891,289	789,286	102,003-	36.71%
Equipment	8,295	23,166	25,766	2,600	10,166	10,166	0	210.62%
Total Costs	\$1,974,524	\$2,499,273	\$2,650,327	\$151,054	\$2,529,610	\$2,435,310	\$94,300-	34.23%
<u>Fund Sources</u>								
General Fund	1,465,727	1,845,500	1,963,249	117,749	1,884,016	1,811,394	72,622-	33.94%
State Revenue Fund	6,075	15,000	14,806	194-	15,000	14,784	216-	143.72%
Federal Revenue Fund	502,722	638,773	672,272	33,499	630,594	609,132	21,462-	33.73%
Total Funds	\$1,974,524	\$2,499,273	\$2,650,327	\$151,054	\$2,529,610	\$2,435,310	\$94,300-	34.23%

Program Description

The Management Support program provides for the overall management and policy development of the department, as well as administrative, data processing, and fiscal support. It includes administration, an independent audit program, a training program, and the administratively attached aging services program.

Budget

This program's budget increases from fiscal 1990 to fiscal 1992, primarily because of increases in personal services and operating expenses. Personal services increase because: 1) the department transferred 2.0 FTE administrative positions and approved approximately \$54,000 per year in personal services costs to this program from the Community Services program; 2) the legislature approved budget modifications for the addition of 6.0 FTE and approximately \$202,000 each year to increase management capability; 3) 17 positions received approved upgrades; and 4) fiscal 1991 pay plan increases are continued in the 1993 biennium.

Operating expenses increase primarily because: 1) a \$45,675 increase in legislative audit costs is included as a biennial appropriation in fiscal 1992; 2) \$88,930 for a management information system is included as a biennial appropriation in fiscal 1992; 3) over \$13,600 in insurance, payroll processing fees, and rent increases, including a current level adjustment of \$43,000 for central office rent, are included in the Management Support program; and 4) an increase of over \$8,300 per year is included for adoption investigations. The decrease from fiscal 1992 to fiscal 1993 is the result of biennial appropriations for legislative audits and the management information system and a \$12,000 decrease in the contract for aging services.

MANAGEMENT SUPPORT

Equipment includes: 1) \$15,600 for equipment for the new staff approved in budget modifications; and 2) \$10,166 for replacement office equipment and computers each year.

Budget Modifications

	Executive			Legislature		
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93
<u>Budget Modifications</u>						
1) Management Staff Increases	5.00	5.00	\$216,455	\$376,049	5.00	5.00
2) Division Director					1.00	1.00
Total	5.00	5.00	\$216,455	\$376,049	6.00	6.00
					\$212,678	\$369,488
					77,871	91,613
					\$290,549	\$461,101

1) Staff Increases - The legislature approved \$369,488 for the biennium for staff increases to strengthen the management capability of the department. The legislature appropriated general fund for 3.0 FTE management personnel and federal funds for 2.0 FTE needed to increase collection of federal funds and parental contributions. The modification also includes \$35,000 for operating expenses and \$13,000 for equipment.

2) Division Director - The legislature appropriated \$91,613 for 1.0 FTE division director, operating expenses, and equipment for the biennium to enable the department to further strengthen its management and to allow presentation of a detailed plan for a continuous of service during calendar year 1991.

Current Level Adjustments

	Executive			Legislature		
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93
<u>Current Level Adjustment</u>						
1) Rent Increases for New Space						
					\$73,100	\$86,000

MANAGEMENT SUPPORT

Rent Increases for New Space - The legislature appropriated \$43,000 each year for additional rent to allow the department to move into new space. The department staff testified that the current office space was inadequate.

Funding

Funding is primarily general fund, which increases between fiscal 1990 and fiscal 1992 because budget modifications and current level expansions have been approved. State special revenue of \$14,806 in fiscal 1992 and \$14,784 in fiscal 1993 comes from fees paid by prospective adoptive parents for adoption investigations and reports. Federal revenues are: 1) reimbursement of audit costs totalling \$36,515 in fiscal 1992 and \$36,418 in fiscal 1993; 2) direct funding of state aging program functions of \$287,666 in fiscal 1992 and \$278,944 in fiscal 1993 which is matched by general fund of \$63,146 in fiscal 1992 and \$61,231 in fiscal 1993; 3) federal reimbursement of training costs totalling \$47,925 in fiscal 1992 and \$48,004 in fiscal 1993; and 4) indirect costs of \$300,166 in fiscal 1992 and \$245,766 in fiscal 1993. The actual amount of federal funds received in indirect costs depends on a time study cost allocation system that assesses other programs in the department according to staff time involved in specific federally funded functions and the indirect cost rate negotiated with the federal government.

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Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	338.33	344.20	344.20	.00	344.20	344.20	.00	5.87
Personal Services	8,264,546	9,287,756	9,198,862	88,894-	9,278,286	9,189,488	88,798-	11.31%
Operating Expenses	1,254,465	1,320,478	2,588,067	1,267,589	1,333,892	2,646,244	1,312,352	106.31%
Equipment	13,626	55,903	55,903	0	42,365	42,365	0	310.27%
Grants	5,136,444	5,447,633	5,492,622	44,989	5,384,993	5,402,894	17,901	6.93%
Benefits and Claims	12,141,394	18,862,504	22,788,905	3,926,401	19,172,172	23,918,522	4,746,350	87.70%
Total Costs	\$26,810,475	\$34,974,274	\$40,124,359	\$5,150,085	\$35,211,708	\$41,199,513	\$5,987,805	49.66%
<u>Fund Sources</u>								
General Fund	15,669,143	21,755,756	22,134,691	378,935	21,895,171	22,744,141	848,970	41.26%
State Revenue Fund	1,957,580	2,162,781	2,607,131	444,350	2,162,769	2,614,818	452,049	33.18%
Federal Revenue Fund	9,183,752	11,055,737	15,382,537	4,326,800	11,153,768	15,840,554	4,686,786	67.50%
Total Funds	\$26,810,475	\$34,974,274	\$40,124,359	\$5,150,085	\$35,211,708	\$41,199,513	\$5,987,805	49.66%

Program Description

The Community Services program provides protective services to children, the developmentally disabled, and the elderly, as required in Section 52-1-103, MCA. Children's services include foster care, protective day-care, support for Big Brothers and Sisters programs, adoption referral and counseling, and coordination of youth court and school programs. Adult services include: 1) community case management for the developmentally disabled; 2) spouse abuse counseling; 3) services to unmarried parents; 4) health and nutrition programs; and 5) congregate meals, transportation, homemaker services, and legal advocacy for the elderly. The program also: 1) administers the state's supplement to the federal supplemental security income (SSI) payments to eligible disabled, aged, or blind recipients; 2) provides community aftercare services for youths released from correctional facilities or committed by the courts; and 3) provides evaluations of up to 45 days for youths aged 10-17.

Legislative Intent

It is the intent of the legislature that increased federal funds for DD targeted case management of approximately \$1.1 million each year may be used either to contract for services or to hire staff.

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Language

Developmental disabilities targeted case management - "The department shall submit to the 53rd Legislature a report detailing the numbers of developmentally disabled (DD) clients served by the department in fiscal 1992 and the actual fiscal 1992 general fund and federal fund expenditures for that service."

DD Case Management Additional Federal Matching Funds - "The department may provide DD targeted case management through increases in staff or it may contract for the targeted case management services. The department may transfer the targeted case management program for the developmentally disabled to the Department of Social and Rehabilitation Services during the 1993 biennium."

Day Care Provider Rate Increases - "Included in [Community Services] is general fund of \$38,708 in fiscal 1992 and \$58,083 in fiscal 1993 for increases to day care providers. Beginning October 1, 1991, the department shall increase day care provider rates up to 75 percent of the 'local market rate' (the maximum allowed under federal regulations). If federal regulations permit the use of funds from the new 'child care and development block grant' for these increases, the department shall decrease the general fund appropriations by the amount of block grant funds available."

Line-itemed day care block grant for which regulations are not yet available - "In [the Child Care and Development Block Grant] the department is appropriated federal funds of \$2,373,287 in fiscal 1992 and \$2,641,716 in fiscal 1993 for improving the availability and quality of day care. The department shall issue a report to the 53rd Legislature detailing the numbers and types of services provided and the actual fiscal 1992 expenditures for those services."

Residential Treatment Services - "In [Youth Treatment Services] at least \$1.3 million for the biennium must be reserved for residential treatment services."

Native American Services - "In [Native American Services] the department may use the funds to contract for direct services on reservations, or pay for placement services."

Continuum of Care - "The continuum of service plan is to be presented to the Legislative Finance Committee during calendar 1991 for its review and comment. After review by the committee and consideration of recommendations and upon implementation of the plan, all funds are to be spent in accordance with the plan. The goal of the plan is to develop a comprehensive child welfare service system by July 1, 1993. The system must include but not be limited to family based-services, foster care, therapeutic foster care, group care, residential treatment, and psychiatric hospitalization for youth. Funds appropriated for the youth foster care program may not be transferred to the medicaid program administered by the department."

Personal Services Reduction - "The personal services reduction may not be applied to social workers in the Community Services program of the department."

COMMUNITY SERVICES

Budget

The budget increases over \$13.3 million from fiscal 1990 to fiscal 1992, primarily because of increases in contracted services and grants and benefits. The 5.87 FTE increase is the net result of increases through budget modifications and decreases for transfers and elimination of FTE. Personal services increase from fiscal 1990 to fiscal 1992 because: 1) a budget modification for 2.75 DD case managers added \$70,879; 2) a budget modification for 1.0 FTE for youth treatment services added \$35,455; 3) a budget modification of 8.0 FTE social workers added \$278,920; 4) some typist positions received upgrades to secretary positions, which increased annual costs by approximately \$16,000; and 5) the fiscal 1991 pay plan increase is continued in the 1993 biennium.

Operating expenses increase primarily because: 1) additional federal funds of \$1,133,498 in fiscal 1992 (\$1,151,440 in fiscal 1993) were included in contracted services for DD targeted case management; 2) \$44,000 was added to aftercare for youth detention costs charged by local jails; 3) budget modifications added approximately \$54,000; 4) annual inflationary increases of approximately \$42,000 in supplies, communications, and travel have been included in the budget; and 5) rent for privately owned buildings increased approximately \$38,000. In addition, general fund of \$5,105 in fiscal 1992 and \$33,613 in fiscal 1993 is provided to implement the licensing and transportation requirements of Senate Bill 37.

Equipment includes \$22,365 for regional staff, a budget modification of \$20,000 for additional equipment in regional offices, and \$13,000 for equipment for new regional staff.

Table 1 shows the first level expenditures and funding for the administrative components of the department.

Table 1
Community Services Operations
1993 Biennium

Program	Fiscal 1992			Fiscal 1993		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Regional Staff	327.20	\$6,771,761	\$11,191,353	327.20	\$6,760,806	\$11,196,625
Child Abuse and Neglect			15,809			15,893
Domestic Violence			412			412
Children's Trust			9,903			9,908
Aftercare	12.00	445,924	453,648	12.00	475,429	483,153
Youth Evaluation	5.00	132,125	132,125	5.00	132,434	132,434
Independent Living			39,582			39,672
Totals	344.20	\$7,349,810	\$11,842,832	344.20	\$7,368,669	\$11,878,097

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Table 2 shows the grants and benefits for each fiscal year.

Table 2
Grants and Benefits
1993 Biennium

Grants and Benefits	General Fund Fiscal 1990	Total Fiscal 1990	General Fund Fiscal 1992	Total Fiscal 1992	General Fund Fiscal 1993	Total Fiscal 1993	Change General Fund 1990-92	Change Total 1990-92
Grants								
West Yellowstone	\$ 5,148	\$ 5,148	\$ 5,362	\$ 5,362	\$ 5,362	\$ 5,362	\$ 214	\$ 214
Home Health	15,000	15,000	15,000	15,000	15,000	15,000	0	0
Child Abuse		137,097		112,591		112,507	0	(24,506)
Domestic Violence	131,811	251,810	135,000	219,588	135,000	219,588	3,189	(32,222)
Refugee		111,477		150,000		150,000	0	38,523
Day Care		56,860		50,000		50,000	0	(6,860)
Aging	695,149	4,543,171	640,620	4,781,143	643,246	4,764,639	(54,529)	237,972
Children's Trust		61,127		61,420		61,420	0	293
Post Adoption		92,431		97,518		24,378	0	5,087
Total Grants*	\$847,108	\$5,274,121	\$795,982	\$5,492,622	\$798,608	\$5,402,894	\$(51,126)	\$218,501
Benefits								
Subsidized Adoption	122,859	275,987	122,859	275,987	122,859	275,987	0	0
Big Brothers & Sisters	158,400	158,400	173,250	173,250	181,913	181,913	14,850	14,850
Alcohol & Drug	201,630	201,630	212,100	212,100	213,300	213,300	10,470	10,470
Day Care	266,289	492,261	348,307	3,312,325	352,444	3,599,291	82,018	2,820,064
Supp. Security Income	855,000	855,000	961,766	961,766	995,606	995,606	106,766	106,766
Foster Care	6,653,485	9,877,456	12,170,617	17,648,869	12,710,742	18,447,907	5,517,132	7,771,413
Independent Living		142,983		204,608		204,518	0	61,625
Total Benefits	\$8,257,663	\$12,003,717	\$13,988,899	\$22,788,905	\$14,576,864	\$23,918,522	\$5,628,984	\$11,222,190

*Fiscal 1990 total grants and benefits equal the main table total, but the categories differ because of accounting changes between grants and benefits.

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The grants and benefits programs are described below:

West Yellowstone - Social services are provided in West Yellowstone where there is no full-time department employee. General fund of \$5,362 per year is maintained at the fiscal 1991 appropriated level. A local match of \$1,788 does not require an appropriation and is not included in the 1993 biennium budget.

Home Health - General fund of \$15,000 per year provides homemaker services to Lewis and Clark County. The county provides a \$15,000 match.

Child Abuse - Funds are used to contract for education and information dissemination about physical and sexual abuse of children. Anticipated federal funds of \$128,400 per year are used to fund: 1) administrative costs of \$15,809 in fiscal 1992 and \$15,893 in fiscal 1993; and 2) contracted services of \$112,591 in fiscal 1992 and \$112,507 in fiscal 1993.

Domestic Violence - Services provided through contracts with local agencies include safe homes, a 24-hour crisis line, and public awareness and education programs. Annual funding is: 1) \$135,000 general fund; 2) federal grants of \$50,000; and 3) \$35,000 from 1 percent of the fines and forfeitures collected in Justice Court and 50 percent of fines imposed for domestic abuse. Annual administrative costs are \$412.

Refugee - Federal funds of \$150,000 per year provide services to Indo-Chinese refugees, including services for unaccompanied minors provided by Lutheran Social Services.

Day-Care - Protective services provided to youth and adults identified as abused or neglected are provided in family or group homes or day-care centers. Based on client eligibility, funding is 100 percent general fund, 100 percent federal funds for refugee clients, or general fund with federal IV-A funding at the Medicaid reimbursement rate for all AFDC eligible clients. Total funding of \$3,362,325 in fiscal 1992 and \$3,649,291 in fiscal 1993 includes: 1) general fund of \$348,307 in fiscal 1992 and \$352,444 in fiscal 1993; 2) federal grants of \$50,000; 3) federal matching funds of \$255,047 in fiscal 1992 and \$270,142 in fiscal 1993; 4) child care improvement grants of \$136,400 in fiscal 1992 and \$120,705 in fiscal 1993; 5) \$199,284 in fiscal 1992 and \$214,284 in fiscal 1993 for a resource and referral program; and 6) new child care and development block grants of \$2,373,287 fiscal 1992 and \$2,641,716 in fiscal 1993.

Aging Services - Services designed to enable older Americans to maintain an independent lifestyle and avoid unnecessary institutional care are provided through contracts with 11 regional Area Agencies on Aging (AAAs). Services include legal advocacy, congregate and home meals, and information and referral services. Table 3 shows the funding for fiscal 1988 through fiscal 1993. In addition to the grants, \$25,411 in fiscal 1992 (including \$5,857 general fund) and \$14,911 in fiscal 1993 (including \$3,321 general fund) was transferred to the Aging Bureau in Management Services for contracted services and equipment. Other funds in fiscal 1992 and 1993 are for ombudsman and elder abuse services.

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Table 3
Aging Services
Fiscal 1988 through 1993

	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	Fiscal 1992	Fiscal 1993
<u>General Fund</u>						
State Match	\$187,735	\$192,449	\$192,796	\$192,796	\$186,939	\$189,565
Information/Referral	122,445	137,681	137,681	137,681	137,681	137,681
In-Home Services	<u>309,414</u>	<u>316,000</u>	<u>316,000</u>	<u>316,000</u>	<u>316,000</u>	<u>316,000</u>
Total General Fund	<u>\$619,594</u>	<u>\$646,130</u>	<u>\$646,477</u>	<u>\$646,477</u>	<u>\$640,620</u>	<u>\$643,246</u>
<u>Federal Funds</u>						
IIIC-1 Congregate Meals	\$1,698,117	\$1,654,613	\$1,675,943	\$1,675,943	\$1,670,188	\$1,670,188
IIIC-2 In-Home Meals	376,915	352,143	369,405	369,405	406,600	406,600
IIID In-Home Services (Frail)			22,748	22,748	31,627	31,627
IIIB Social Services	1,257,595	1,264,878	1,280,994	1,280,994	1,322,496	1,322,496
Cash-In-Lieu of Commodities	470,175	626,980	626,980	626,980	611,045	611,045
Title IV Training	26,664	30,000	30,000	30,000	30,000	30,000
Administration	31,884		100,000	100,000	14,560	22,434
Other	<u>42,293</u>				<u>54,007</u>	<u>27,003</u>
Total Federal Funds	<u>\$3,903,643</u>	<u>\$3,928,614</u>	<u>\$4,106,070</u>	<u>\$4,106,070</u>	<u>\$4,140,523</u>	<u>\$4,121,393</u>
Total Expenditures	<u>\$4,523,237</u>	<u>\$4,574,744</u>	<u>\$4,752,547</u>	<u>\$4,752,547</u>	<u>\$4,781,143</u>	<u>\$4,764,639</u>

Children's Trust - Services and activities operated by non-profit private or public community-based educational and service organizations are aimed at the prevention of child abuse and neglect. The Children's Trust Fund Board allocates funds and monitors contract performance. Funding of \$71,323 in fiscal 1992 and \$71,328 in fiscal 1993 provides: 1) grants of \$61,420 each year; and 2) administrative expenses of \$9,903 in fiscal 1992 and \$9,908 in fiscal 1993. Funding comes from: 1) \$5 of the \$100 marriage dissolution fee; 2) tax write-off contributions; and 3) other donations.

Post Adoption - The Post-Adoption Center, begun by budget amendment in fiscal 1989, is funded by a federal grant to develop an inter-organizational network of service providers. Anticipated funds of \$97,518 in fiscal 1992 and \$24,378 in fiscal 1993 are included in the budget for the 1993 biennium.

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Subsidized Adoption - This program assists families in adopting sibling groups or children with special needs such as physical or mental handicaps. The subsidy paid to each family varies according to the severity of the disability and the financial resources of the family. If the child is eligible for federal IV-E participation, funding is shared at the federal medicaid matching rate. Otherwise, the cost is 100 percent general fund. Funding is equal to the actual fiscal 1990 general fund of \$122,859 and federal funds of \$153,128. The number of subsidized clients has increased from 88 in fiscal 1988 to 117 in fiscal 1990.

Big Brothers and Sisters - Supplementary general fund of \$173,250 in fiscal 1992 and \$181,913 in fiscal 1993 is provided to county Big Brothers and Sisters programs to provide services to youth in need of an adult role model. These funds include annual increases of 5.0 percent in fiscal 1992 and fiscal 1993.

Alcohol & Drug Treatment - This program provides residential alcohol and drug treatment for eligible indigent youth. A youth must meet AFDC income standards, be an adjudicated delinquent, be determined by a certified alcohol counselor as in need of treatment, and be placed in a treatment program approved by the Department of Institutions. DFS reimburses treatment providers \$110 per day for a maximum of 40 days per youth. The current level budget is general fund of \$212,100 in fiscal 1992 and \$213,300 in fiscal 1993.

Supplemental Security Income (SSI) - SSI is a general fund supplementary income to normal federal SSI payments provided to recipients residing in certain licensed facilities. This payment is to help residents remain in the least restrictive environment possible. Payment is based on the recipient's type of community residence, ranging from \$26 per month for developmental disabilities semi-independent living homes to \$94 per month for personal care homes. Funding of \$961,766 in fiscal 1992 and \$995,606 in fiscal 1993 includes budget modifications approved by the legislature.

Foster Care - Through contracts with providers, foster care provides a continuum of protective services and treatment for youth. The legislature approved foster care current level funding of \$11,285,802 each year plus:

- 1) general fund transfers from SRS of \$2,499,914 in fiscal 1992 and \$2,624,459 in fiscal 1993 for in-patient hospital psychiatric treatment;
- 2) a budget modification of \$1,732,492 in fiscal 1992 and \$1,726,270 in fiscal 1993 for residential psychiatric treatment;
- 3) \$992,800 per year for Native American Services;
- 4) 4.5 percent provider rate increases of \$507,861 in fiscal 1992 and \$1,038,576 in fiscal 1993; and
- 5) \$150,000 in fiscal 1992 and \$300,000 in fiscal 1993 for MDC Phase V child placement.

The department served 3,121 youths in fiscal 1990, while the fiscal 1990 budget was based on a caseload of 2,918 youths. The legislature, assuming that savings resulting from implementation of a complete continuum of service will offset costs of increasing case loads in the 1993 biennium, budgeted no additional spending authority for increasing caseloads in the 1993 biennium. The legislature also approved additional spending authority of \$480,000 each year to allow the department to properly account for parental contributions and other receipts which have been used to abate expenses in the current biennium.

COMMUNITY SERVICES

Federal funds exceeding \$3.9 million per year include IV-E funding for AFDC eligible children and \$290,151 per year of other federal funds. State special funds are: 1) county reimbursements set at approximately \$1.06 million per year, rather than at the \$1,139,650 ceiling amount approved when DFS was created (Section 41-3-1122, MCA) because caps at individual county levels limit revenues to less than the maximum amount; and 2) \$540,200 in fiscal 1992 and \$545,400 in fiscal 1993 to implement the accounting change for parental and other contributions. General fund provides the balance of the funding.

Independent Living - The independent living project assists IV-E foster children in making the transition from foster care to independent living. Anticipated federal funds of \$244,190 in each year of the 1993 biennium provide: 1) benefits of \$204,608 in fiscal 1992 and \$204,518 in fiscal 1993; and 2) administrative costs of \$39,582 in fiscal 1992 and \$39,672 in fiscal 1993. Federal funds in excess of \$155,000 each year require a general fund match of \$1 for each federal \$1. The department anticipates using a soft match.

Budget Modifications

Budget Modification	Executive		Legislature	
	FTE FY92	General Fund FY93 92-93	FTE FY92	General Fund FY93 92-93
1) Staff Increases	8.00	\$ 465,562	8.00	\$ 457,992
2) Phase I & II Supp. Income		54,144		54,144
3) Phase IV Supp. Income		73,320		73,320
4) Phase IV Child Placement		126,735		126,735
5) MDC Phase IV Case Mgmt.	2.75	60,364	2.75	59,329
6) Native American Services		559,840		559,840
7) Youth Treatment Services	1.00	3,536,426	1.00	3,535,010
8) Field Equipment		40,000		40,000
Total	11.75	\$4,916,391	11.75	\$4,906,370
		\$6,852,452		\$6,839,298

1) Regional Staff Increases - The regional staff, which totalled 315.83 in fiscal 1990, provides social services to children, adults, and senior citizens. The number of children in foster care increased from 2,390 in fiscal 1985 to 2,969 in fiscal 1989. Adult protective services received an estimated 1,000 new clients in fiscal 1989 and served a total of 3,224 clients during that year. The legislature added 8.0 additional FTE social workers to respond to this increasing demand for services. General fund costs of \$233,293 in fiscal 1992 and \$224,699 in fiscal 1993 are supplemented by federal funds of \$41,169 and \$39,653 in respective years for a total biennial cost of \$538,814.

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- 2) Phase I & II Supplemental Income - State supplemental income is a monthly supplement to federal supplemental security income (SSI) to enable eligible clients to live in less restrictive environments than would otherwise be possible. The legislature approved general fund of \$27,072 each year for state supplemental payments to approximately 24 developmentally disabled SSI recipients who were moved from MDC into community homes during the 1991 biennium (phases I and II of the "Action Plan for the Modification of the Montana Developmental Disabilities Service System"). Expenditures for supplemental income of \$94 per month per recipient were absorbed within the department's current level appropriation for the 1991 biennium as clients were moved from MDC. These clients will now be served in the community for the full biennium.
- 3) Phase IV Supplemental Income - The legislature approved \$19,740 in fiscal 1992 and \$53,580 in fiscal 1993 for state supplemental income payments of \$94 per month for developmentally disabled federal SSI recipients who will move from MDC or waiting lists into community homes during the 1993 biennium (phase IV of the "Action Plan for the Modification of the Montana Developmental Disabilities Service System"). The department anticipates that: 1) 30 additional clients will require SSI for seven months in fiscal 1992 and 12 months in fiscal 1993; and 2) 30 additional clients will require SSI for seven months in fiscal 1993.
- 4) Phase IV Child Placement - During fiscal 1992, the department, in cooperation with SRS, intends to provide community services for five developmentally disabled children who need intensive services and are difficult to place. An additional five children will be placed in fiscal 1993. Eligible children include those who currently receive foster care services, but foster care is not reduced because the department expects an increase in the numbers of developmentally disabled children served during the 1993 biennium. Eligible children currently include nine who have been placed out-of-state at costs ranging from \$53 per day at Excelsior in Spokane to \$280 per day at Pines Home in Virginia. One eligible child is currently at MDC, but MDC's revised role in Montana's developmental disabilities service system is not well suited to children. Therefore, the legislature approved \$82 per day per child or \$150,000 in fiscal 1992 and \$300,000 in fiscal 1993 for in-state community services for these children. Federal Title XIX medicaid funds will provide an estimated 71.7 percent of the cost, with general fund providing the remaining 28.3 percent.
- 5) MDC Phase IV Case Management - The legislature approved approximately \$81,200 per year for case management services to 114 additional developmentally disabled clients who will be in community services in the 1993 biennium. Fifty-four clients will be moved from MDC to community services during the 1991 biennium, 30 will be moved during the 1993 biennium, and an additional 30 will come from waiting lists of those needing intensive levels of service. This budget modification includes general fund of \$9,500 per year for specialized training for case managers. The remaining \$71,700 for each year is for 2.75 FTE and case management expenses. The funding sources for this request are: 1) \$9,500 general fund for the training funds; and 2) approximately 28.1 percent general fund and 71.9 percent federal Title XIX funds for the personal services and operations.
- 6) Native American IV-E - Title IV-E requires each state to provide foster care services to all eligible children, including Native American children on reservations. Since the department anticipates serving an additional 250 Native American children in the 1993 biennium, the legislature approved an additional \$1,985,600 for this service. DFS is negotiating agreements for service with each tribe in compliance with Title 18, Chapter 11, MCA. Funds may be used to contract for direct services or pay for placement services. Funding is at the estimated medicaid matching rate of 28.3 percent general fund and 71.7 percent federal revenue.
- 7) Youth Treatment Services - The legislature approved 1.0 FTE each year and general fund of \$3,535,010 for the biennium to provide residential psychiatric treatment to children and adolescents. House Bill 304, enacted by the 1989 legislature as a pilot program,

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authorized medicaid funding for residential psychiatric treatment during the 1991 biennium. Federal medicaid funding was appropriated to SRS to be matched by foster care monies appropriated to DFS. This modification would provide state match for the federal medicaid funds requested by SRS to continue and expand residential psychiatric treatment during the 1993 biennium. The department must reserve at least \$1.3 million for the biennium for residential psychiatric treatment, and it may use the remainder of the funds for a continuum of services.

8) Field Equipment - The legislature approved general fund of \$20,000 each year for locking file cabinets, desks, and chairs for the regional offices. A June 1990 legislative audit report recommended that the department prioritize equipment needs and purchase locking filing cabinets for the storage of confidential case files. The report stated that file confidentiality has not been maintained because: 1) security has been inadequate; and 2) budget restraints have prevented the purchase of adequate locking files. This budget modification would allow the purchase of four files and two desks and chairs for each region each year.

Current Level Adjustments

Adjustments to the current level budget are shown in the table below. Those marked with an asterisk were supported by the executive, but were not included in the published executive budget.

Current Level Adjustment	-----Executive-----		-----Legislature-----	
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) Provider rate increases				
Foster Care			\$1,135,083	\$1,546,437
Day Care			96,791	171,010
Big Brothers & Sisters			25,162	25,162
2) Day Care Resource & Referral*			15,000	428,568
3) Federal Day Care Grants*		\$15,000		5,272,108
4) DD Targeted Case Management*				2,284,938
5) Juvenile detention costs			88,000	88,000
Total Adjustments		\$15,000	\$7,985,614	\$9,816,223

1) Provider Rate Increases - The legislature approved a 4.5 percent annual provider rate increase for foster care, 5.0 percent for the Big Brothers and Sisters program, and daily increases for day care providers. These increases total \$1,742,609 for the biennium, including \$1,257,036 general fund and \$485,573 federal funds. Effective October 1, 1991, family and group day care providers receive increases of \$1 per day, and day care centers receive an increase of \$0.50 per day. In fiscal 1993 family day care providers receive an additional \$0.75 per day and group care providers receive an additional \$0.25 per day. These increases will raise all providers

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rates to 75.0 percent of the local market rate. The general fund appropriation is to be reduced and federal block grant funds are to be used for these increases to the extent allowed by federal regulations.

- 2) Resource and Referral - The legislature approved \$428,568 for the biennium to expand the resource and referral program begun by the 1989 legislature. Funding is \$15,000 general fund and \$413,568 federal funds.
- 3) Federal Day Care Grants - These grants are of two types. First, a federal child care improvement grant was approved for \$136,400 in fiscal 1992 and \$120,705 in fiscal 1993. These grants were begun in fiscal 1991 and are expected to continue through the 1993 biennium. Second, a federal day care block grant has been awarded to Montana for improving the availability and quality of day care. Regulations are not yet available for this grant. Therefore, the legislature: 1) approved language providing the department broad authority for \$2,373,287 in fiscal 1992 and \$2,641,716 in fiscal 1993; 2) line-itemed the grant; and 3) required that the department submit a report to the 1993 legislature on how the grant was spent.
- 4) DD Targeted Case Management - The DD case management match rate is changing from a 50/50 state/federal match to the medicaid match of approximately 28 percent state, 72 federal funding. The additional federal funds of over \$1.1 million each year were included as contract services. Language was approved to allow the department to either contract or hire staff to provide the services.
- 5) Juvenile Detention Costs - The government unit responsible for committing an individual to a local detention center is required by section 7-32-2242, MCA to pay the cost of holding that individual. The legislature approved \$44,000 each year to pay for costs of holding juveniles who are in the custody of the department.

Funding

Funding is general fund, state special revenue, and federal funds. General fund of over \$22.1 million in fiscal 1992 and approximately \$22.7 million in fiscal 1993 is the primary funding source for the Community Services programs. The increase from fiscal 1990 to fiscal 1992 shown in the main table is primarily due to approved budget modifications and current level adjustments.

State special revenue is: 1) over \$898,000 for the county reimbursement for regional staff; 2) \$35,000 each year of fines for domestic violence; 3) over \$71,300 in donations, income tax check-off and marriage license fees for the Children's Trust; 4) interest income of \$2,773 each year for aftercare; 5) approximately \$1.06 million each year for the county contributions to foster care; and 6) over \$540,000 each year of parental and other reimbursements for foster care. The increase of 33.2 percent shown in the main table is primarily the result of the accounting change to allow parental and other contributions to be recorded as revenue.

Federal revenue includes funds for social services, aging services, day care, targeted case management for the developmentally disabled, IV-E funds for foster care, child abuse, domestic violence, refugee care, post adoption, subsidized adoption, and independent living. Federal revenue increases as shown in the main table, primarily because: 1) budget modifications and current level adjustments were approved; and 2) the calculation used to estimate federal IV-E funds was changed to reflect the department's increased effort to collect those funds.

MOUNTAIN VIEW

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	65.77	67.13	67.13	.00	67.13	67.13	.00	1.36
Personal Services	1,564,214	1,803,933	1,767,965	35,968-	1,806,108	1,769,664	36,444-	13.03%
Operating Expenses	310,746	343,028	334,137	8,891-	349,284	341,338	7,946-	7.53%
Equipment	5,223	4,436	4,436	0	11,379	11,379	0	-15.07%
Total Costs	\$1,880,183	\$2,151,397	\$2,106,538	\$44,859-	\$2,166,771	\$2,122,381	\$44,390-	12.04%
<u>Fund Sources</u>								
General Fund	1,787,642	2,041,320	1,999,597	41,723-	2,056,732	2,015,369	41,363-	11.86%
State Revenue Fund	2,076	3,213	3,134	79-	3,213	3,135	78-	50.96%
Federal Revenue Fund	90,465	106,864	103,807	3,057-	106,826	103,877	2,949-	14.75%
Total Funds	\$1,880,183	\$2,151,397	\$2,106,538	\$44,859-	\$2,166,771	\$2,122,381	\$44,390-	12.04%

Program Description

Mountain View School in Helena, authorized in Section 53-30-202, MCA, provides diagnosis, care, education, and rehabilitation for juvenile girls between the ages of 10 and 21 years who have been committed by the courts. Each youth is provided with diagnostic and treatment services and an individualized education program. The school also provides evaluations for girls referred by the youth courts. The average daily population (ADP) of 52.31 in fiscal 1990 has been continued for the 1993 biennium.

Budget

The budget increases over 12 percent from fiscal 1990 to fiscal 1992 due to higher personal service costs and operating expenses. Personal services increase 13.0 percent because: 1) a budget modification for 1.36 FTE and personal services of nearly \$34,000 was approved; 2) teacher's aides were moved from the state pay plan to the state teacher pay plan, resulting in annual increases in personal services and federal funds of approximately \$18,600; and 3) the fiscal 1991 pay increase is continued in the 1993 biennium.

Operating expenses increase 7.5 percent because the budget includes: 1) over \$8,000 for increases in contracts for the chaplain, doctor, dentist, and cosmetologist; and 2) inflationary increases in food and utilities.

Funding of \$15,815 for equipment during the biennium will provide a washer/dryer set, an electronic monitoring system, two-way radios, a security post check-in system, and other miscellaneous equipment. At an annualized rate, this is a 50 percent increase over the 1990 actual expenditures.

MOUNTAIN VIEW

Budget Modification

	-----Executive-----			-----Legislature-----				
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) Mtn. View Staff Increases	1.36	1.36	\$69,930	\$69,930	1.36	1.36	\$68,577	\$68,577

Mountain View Staff Increases - The legislature approved an additional 1.36 FTE and general fund of \$68,577 for the biennium to provide increased services to residents of Mountain View School. The additional FTE are: 1) 1.0 FTE cottage life attendant to increase cottage staffing; and 2) 0.36 FTE foreign language teacher to meet school accreditation standards.

Funding

Funding is primarily from the general fund. State special revenue consists of canteen funds of over \$2,950 and donations of \$177 each year. Federal revenue per year is: 1) school foods of \$42,100 from the Department of Education; 2) Chapter I funds of approximately \$47,000; and 3) federal boarder reimbursements of nearly \$14,800. Federal revenue increases 14.8 percent because anticipated Chapter I revenues are higher than the \$29,200 actually received in fiscal 1990.

PINE HILLS

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	Legislature Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	Legislature Fiscal 1993	Difference Fiscal 1993	Change 1990-92
FTE	118.77	120.77	120.77	.00	120.77	120.77	.00	2.00
Personal Services	2,904,241	3,203,506	3,145,509	57,997-	3,206,389	3,148,577	57,812-	8.31%
Operating Expenses	703,413	685,824	734,811	48,987	697,707	750,811	53,104	4.46%
Equipment	15,743	10,215	10,215	0	10,215	12,015	1,800	-35.12%
Total Costs	\$3,623,397	\$3,899,545	\$3,890,535	\$9,010-	\$3,914,311	\$3,911,403	\$2,908-	7.37%
<u>Fund Sources</u>								
General Fund	3,033,439	3,260,500	3,267,001	6,501	3,269,188	3,281,879	12,691	7.70%
State Revenue Fund	313,858	326,122	320,045	6,077-	332,378	326,180	6,198-	1.97%
Federal Revenue Fund	276,100	312,923	303,489	9,434-	312,745	303,344	9,401-	9.92%
Total Funds	\$3,623,397	\$3,899,545	\$3,890,535	\$9,010-	\$3,914,311	\$3,911,403	\$2,908-	7.37%

Program Description

Pine Hills School in Miles City, authorized in Section 53-30-202, MCA, provides diagnosis, care, education, and rehabilitation for juvenile boys between the ages of 10 and 21 years who have been committed by the courts. Each youth is provided with diagnostic and treatment services and an individualized education program. The school also provides evaluations for boys referred by the youth court. The average daily population of 121.49 in fiscal 1990 has been projected for the 1993 biennium.

Budget

The school's budget increases 7.4 percent from fiscal 1990 to fiscal 1992 due to higher personal service costs and operating expenses. FTE increase a net of 2.0 because: 1) 1.0 FTE chemical dependency counselor was eliminated in fiscal 1990 and the funds were used to contract for alcohol counseling services; and 2) 3.0 FTE cottage life attendants were added through a budget modification. Personal services increase 8.3 percent primarily because: 1) a budget modification of \$60,173 for 3.0 FTE was approved; and 2) the fiscal 1991 pay plan increase is continued in the 1993 biennium.

Operating expenses increase 4.5 percent due to: 1) budget modifications of \$1,584 in operating expenses for increased staff and \$6,000 to start an industries program; 2) an increase of \$18,000 in contracted services for a chaplain and a Honeywell temperature control contract; 3) inflationary increases, primarily in food, supplies, and utilities of approximately \$21,000; and 4) decreases of \$15,000 per year for insurance paid from the Pine Hills budget in fiscal 1990 that is budgeted in the Management Support program

PINE HILLS

for the 1993 biennium. Contracted alcohol counseling services are continued in the 1993 biennium. Equipment is funded at the agency request.

Budget Modifications

Budget Modification	-----Executive-----			-----Legislature-----				
	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93	FTE FY92	FTE FY93	General Fund 92-93	Total 92-93
1) Pine Hills Industries	3.00	3.00	\$125,919	\$ 12,000	3.00	3.00	\$123,464	\$ 12,000
2) Pine Hills Staff Inc.				125,919				123,464
Total	3.00	3.00	\$125,919	\$137,919	3.00	3.00	\$123,464	\$135,464

1) Pine Hills Industries - The legislature approved \$12,000 in state special revenue for the 1993 biennium to establish an Industries program at Pine Hills, as permitted by Senate Bill 385. As a section of the Vocational Education program, this program would allow students to learn drafting, welding, and woodworking. Revenue would be generated by sales of products, such as picnic tables.

2) Cottage Life Attendants - The legislature approved 3.0 FTE cottage life attendants at a general fund cost of \$123,464 for the biennium. These FTE would provide additional supervision and security during regular work hours, particularly in the more secure lodges where the high risk population has been increasing. The facility is rated as a 100-bed facility with a maximum capacity of 120 residents. Since the average daily population exceeds maximum capacity, residents are being housed in program areas. The department estimates that a reduced referral rate and a shorter length of stay will mitigate overcrowding. However, the department estimates that the remaining population will be higher risk and will require more security to prevent violence and escapes.

Funding

Funding is primarily general fund, which increases 7.7 percent from fiscal 1990 to fiscal 1992. State special revenues each year are: 1) alcohol tax of \$26,573 for a chemical dependency contract; 2) canteen funds of over \$19,700; 3) interest and income of \$267,758 in fiscal 1992 and \$273,891 in fiscal 1993; and 4) industries revenue of \$6,000 each year. Federal revenues each year include: 1) school foods of over \$109,000 from the Department of Education; 2) Chapter I funds of nearly \$108,000; and 3) federal boarder reimbursements totalling \$86,267. Appropriations from the boarder reimbursements account have increased because funds received in fiscal 1990 were approximately \$20,000 higher than expenditures.

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